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# USSR Report

ECONOMIC AFFAIRS

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6 December 1984

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## ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

### NATIONAL, REGIONAL INTERESTS COMBINED BETTER IN EXPERIMENT

Moscow SOTSIALISTICHESKIY TRUD in Russian No 7, Jul 84 pp 82-90

[Article by V. Bebiashvili: "When Sectorial, Territorial and National Interests Are More Fully Reconciled"]

[Text] In speaking at the April (1984) Plenum of the CPSU Central Committee, the General Secretary of the Central Committee, Comrade K. U. Chernenko, pointed to the need to more consistently carry out the decisions which we have adopted to increase the role of the local soviets in economic and cultural construction. He emphasized that "...this helps ensure integrated economic development on the spot, it raises a stronger barrier against departmental narrowness and makes it possible to more fully satisfy the diverse needs of the population and improve services."

The validity of these words is convincingly confirmed, in particular, by the results achieved over the last 2 years by the workers of the city of Poti. The Decree of the CPSU Central Committee "On the Work of the Central Committee of the Georgian Communist Party to Improve the Management System, to Raise the Level of Economic Work and to Rationally Utilize Resources" (1983) pointed out that Poti and Zavodskiy Rayon of Tbilisi are conducting an "experimental search for effective forms to strengthen the organizing and coordinating functions of the soviets. Under the executive committees of the soviets and their planning bodies, intersectorial subdivisions have been set up and their attention is focused on resolving questions of the integrated development of the economy, on ensuring the fulfillment of the production plan, on more widely utilizing the local resources and improving the working and everyday conditions of the population."

The successes of the Poti experiment can be eloquently seen from the following facts and figures. In 1981, the year previous to the start of the experiment, the city industry did not meet the plan in terms of the production volume and labor productivity. During the first and second year of conducting the experiment, the plan was significantly overfulfilled for these indicators. Even now city industry produces more product than was initially planned by the control figures for the end of the five-year plan. Last year, almost 1.5-fold more product with the state Quality Mark was manufactured than in 1980. The city has a good deal of industry. Here are enterprises and organizations of over 30 ministries and departments, including 5 Union ones. Among such enterprises

is the Poti Ship Repair and Ship Building Yard imeni S. Ordzhonikidze, the Administration of Oceanic Fisheries, the Plant of Electric Machinery Amplifiers (EMU), Potielektroapparat [Poti Electrical Equipment], a machine building plant for hydromechanization and so forth.

The people of Poti were some of the first to take up the appeal of the December (1983) Plenum of the CPSU Central Committee on overfulfilling the plan quotas for labor productivity and reducing product costs. Having assessed the reserves and possibilities of using them as disclosed by the experiment, the city workers set high obligations for themselves: the plan for the growth of labor productivity would be surpassed by 3.9 percent and product costs would be reduced by an additional 0.8 percent. The output volume of consumer goods over the five-year plan was to increase by 2.5-fold instead of 1.6-fold according to the plan. It is not hard to imagine what the economic and social effect would be if the workers in other cities of the nation could accelerate economic development at the same rate.

Naturally, the question arises of how the Poti workers have achieved such successes over the last 2 years and can expect even greater ones in the subsequent years?

#### Sources and Goal of the Experiment

As was pointed out above, Poti has enterprises of all levels of subordination, from the local to the Union. In resolving their specific production tasks, they often did not coordinate them with the needs of the city and for this reason its production structure was not correlated to the social one and as a result both sides suffered.

In the municipal economy, in the broad sense of this word (industry, transportation, communications, trade, consumer services and so forth), discrepancies arose due to the uneven development of the sectors and the territory as a whole. The city, as a social organism, fell behind in its development from the level of the individual sectors and this, in turn, was felt in these sectors themselves.

Of course, measures were taken on a centralized level to overcome these shortcomings. But from the center it is impossible to manage all the local processes as they are too numerous and different in their importance. In correctly assuming that the basic mass of day-to-day questions must be resolved precisely where this could be done quickly, without excessive delay and coordination, the Poti workers entrusted this task to the municipal executive committee of the soviet.

Ordinarily the local soviet, although being a legal entity of the city, could not essentially influence economic development, as it had no rights to directly influence the activities of the enterprises within the limits of the territory under it.

The experiment in Poti in a short period of time showed what results can be achieved if the local soviets are given an opportunity to take a direct part in economic management, having organized within them not a temporary and not a

volunteer working body but rather a permanent one capable of eliminating the arising disproportions and bearing direct economic responsibility for the end results.

Under an assignment of the Central Committee of the Georgian Central Committee, the Poti Party Gorkom and the gorispolkom prepared and submitted proposals for the following: how to approach an effective and actual combining of the sectorial and territorial management principles. The elaboration of the proposals was preceded by a careful examination of advanced experience in the given area acquired in other regions of the nation and the fraternal socialist countries.

The proposals involved three basic components of the socialist economic mechanism:

The first--improved planning. In this context the following tasks were carried out: the concentrating of sources and resources on carrying out the most important state-wide programs, a more rational combination of sectorial and territorial planning as well as the carrying out of long-range and current problems, the balancing of the economy and the focusing on end national economic results;

Secondly--the efficient use of economic incentives and levers such as: cost accounting, profits, prices and bonuses;

Third--improving the organizational structure and management methods. A major task is to develop the principles of democratic centralism by strengthening centralized leadership, eliminating the obstacles formed by departmental and local trends, developing democratic principles and initiative on the spot, releasing the upper leadership echelons from minor matters and providing efficiency and flexibility in decision taking.

#### The Organizational Development of the Innovation

The organization of the experiment started with the establishing of a section for the coordinating and management of economic and cultural construction under the gorispolkom. This section began to be concerned with intersectorial problems, mobilizing reserves to increase labor productivity and improve the utilization of material and labor resources. Even the first results were impressive. For example, it was established that the broader use of reserves, including the labor of home workers, would increase the output of consumer goods during the 11th Five-Year Plan, not by 1.6-fold as initially planned, but by 2.5-fold. The production volume of local industry would double. A year later a decision was taken to broaden the experiment and to establish in the city a territorial intersectorial association (TMO). This association was under the Georgian Gosplan and the executive committee of the municipal soviet. The superior management body of the association was the council of enterprise and organization leaders. The chief of the association was the first deputy chairman of the gorkspolkom. The association included all the enterprises located on the city's territory. In terms of the degree of dependence, these enterprises and organizations can be divided into three groups.

In the first are basically the enterprises of Union subordination such as the Poti Ship Repair and Ship Building Yard imeni S. Ordzhonikidze, the Administration of Oceanic Fisheries and such plants as the Electric Machinery Amplifiers, Potielektroapparat and others which were under the association only in terms of individual questions such as land tenure, environmental conservation, construction, labor resource utilization, consumer goods production and so forth.

The second group of enterprises (Union republic, republic and local) has the status of dual subordination. They are under their own sectorial superior body in terms of planning and technical development and at the same time are subordinate to the association in terms of counterplanning and questions of operational leadership over production and economic activities.

The third group includes enterprises specifically under the TMO and which are specialized in producing multisector products as well as consumer goods on the basis of local resources, production wastes and other materials.

The main goal of the association is to combine the interests of the enterprises of varying scale and specialty and the interests of the city, and to work out an optimum plan for its economic and social development on a basis of involving unutilized reserves here. The establishing of the association provides an opportunity to more effectively reconcile elements of sectorial and territorial planning and management. This is reflected in the TMO Statute which provides the following:

The participation in working out optimum plans which provide for the bringing of the basic indicators for production and economic operations at the enterprises up to the level or above the corresponding sectorial and Union indicator;

Providing the fulfillment of obligations for product deliveries in the established amount and quality on time and according to the product range in accord with concluded contracts;

The greatest possible development of local industry chiefly on a basis of local raw material resources, including the use of resources from neighboring cities and rayons with the agreement of the appropriate bodies; providing the planned improvement of production cooperation (subcontracting) by establishing new enterprises as well as reconstructing and technically reequipping operating facilities;

Working out and implementing a food program for the city including the greatest possible reduction in production expenditures, the rational utilization of production reserves, observing thriftiness in material, labor and financial resources;

Maximum utilization of primary and secondary resources and turning Poti into a "waste-free" city;

Increasing production and broadening the assortment of consumer goods and consumer services.

As is pointed out in the TMO Statute, the association operates on the basis of cost accounting, providing a full covering of expenditures for the management personnel.

#### The Economic Basis of the Experiment

For achieving the goals set for the TMO, naturally, significant amounts of money were required and for this reason it was decided that all the republic and Union-republic level enterprises and economic organizations would turn over to the association 10 percent of the planned profit balance and 50 percent of the free profit balance. The association was also to receive 50 percent of the deductions for the utilization of water from the city's water systems. For these items the city, in 1982, received an additional 377,000 rubles. In 1983, this amount was surpassed. The additional funds received by the city budget were utilized primarily to help the enterprises in reconstruction and technical re-equipping, in establishing additional production, particularly for processing wastes, as well as for public works in the city and for improving consumer services. For building installations of public and intersectorial importance, funds were also used from the Union enterprises and they took a proportional share in building, for example, such projects as hothouses, a hotel, an intersectorial plant for production fittings and so forth.

In the association an economic lever was also established for influencing the operation of the enterprises and organizations. This was centralized economic incentive funds including: the production development fund, the material incentive fund and the fund for sociocultural measures and housing construction. These were formed by centralizing a portion of the analogous funds as well as a portion of the free balance of above-planned profit at the enterprises of dual and direct subordination.

How precisely does the TMO help improve industrial operations? The main tasks of the Poti TMO, in the first place, are to assist in creating optimum conditions for the enterprises and economic organizations in the city for rhythmical, continuous operation and their fulfillment of contractual deliveries completely and on the designated dates; secondly, to help them in rationalizing the use of all types of production resources and improving product quality; thirdly, for the maximum satisfaction of the material and cultural needs of the population.

In carrying out these tasks a major role is played by the TMO operations management section which daily receives diverse information on the economic activities of the enterprises and organizations. In the operational summary the economic life of the city is reflected for 25 different areas: from the fulfillment of the production plan, contractual obligations and the supply of the enterprises with electric power, railroad cars and containers up to the prices on the kol-khoz market. These data provide a notion of the pace of life in the city and help to take effective measures in the event of the rise of certain complications.

The Poti TMO is also provided with 10-day information which is discussed at a special meeting. For industry, for example, such indicators include the volume of commodity product, the output of consumer goods, the amount of product with the state Quality Mark, the product sales volume considering delivery



obligations, the level of labor productivity, profits, products costs and so forth.

An even broader range of indicators is discussed monthly at an enlarged meeting at the Poti TMO. Finally, each quarter the results of production and economic activities are summed up at a joint session of the Bureau of the Poti Party Gorkom and the gorispolkom.

At present, the association monitors 18 indicators in industry, 12 in transportation and communications. Data on more than 100 indicators are accumulated for a more profound analysis. All of this makes it possible to significantly increase the responsibility of the enterprise and organization leaders for the end results of the work, to promptly discover unused reserves and find long-range strategic management decisions.

In the Operations Management Section a telephone with the number "06" has been installed. This is a type of unique "emergency economic aid" for the enterprises and organizations. It is very popular in the city and the number rings almost constantly. Somewhere the delivery of electric power or water has been shut off, or a hitch has arisen with the delivery of fuel, the unloading of railroad cars or the delivery of containers. The section immediately gets in touch with the organizations responsible for this area of work and takes measures to eliminate the problems. And at the same time, it analyzes whether this situation is accidental or does it show a "bottleneck" in production.

For example, the section concluded that a fundamental improvement was required in the city's power supply. It was discovered that feeder No 2 alone which served more than 20 enterprises and organizations last year had 64 power outages including during working hours, and this seriously told on product output. The reason was in the decrepitness and neglect of the power networks. An analysis made by the section underlay a full-scale joint decree of the Poti Party Gorkom, the gorispolkom and the collegium of Gruzglavenergo [Main Georgian Power Administration] and this outlined a program of measures to improve the outside and internal power supply for the city during the period from 1983 through 1985.

Or another example. In December of last year the Potielektroapparat Plant got into a difficult situation. It lacked lumber for crating export products. The section was quickly able to secure around 30 m<sup>3</sup> of lumber from other enterprises and the crucial quota was fulfilled on time.

The association has been able to improve the supply of containers for the enterprises and to reduce the difficulties in fuel supply, particularly at the end of the year. With the establishing of a Material-Technical Supply Section in the association, the possibility has arisen of maneuvering material resources on a city-wide scale. This practice has been fully effective and at present the TMO is building a territorial intersectorial warehouse and is planning to convert all the dual- and directly subordinate enterprises to supply through the association. This will make it possible to most rationally and effectively utilize the material resources and maneuver them.

One of the means for increasing the return on investment is the fuller load factor for equipment. At many enterprises there is specially-made equipment essential for the production process but it is not fully loaded. At the same time, the neighbors may have an acute need for this equipment. A count made by the association of such machine tools and the collecting of information on the use factor for such equipment will help to extend production cooperation among the city enterprises and increase the return on investment and production efficiency as a whole.

This same goal is served by the intersectorial plant for production fittings which is now being designed and will be built with proportional participation of the city enterprises, including the Union-level enterprises.

The centralizing of a portion of the collective funds makes it possible to encourage the best collectives and production pacesetters. In particular, 3,000 rubles were allocated to pay bonuses to the winners of the competition for the saving of fuel and energy resources.

#### Improving Labor Resource Utilization

The TMO also directs the work of improving labor resource utilization through the city job placement bureau. This bureau centralizes a larger portion of the previously unavailable information on the city labor resources. At present, the bureau keeps, for example, files on the following questions:

The leaders of the enterprises, organizations and institutions located in Poti;

The leaders of the services and subdivisions of these enterprises, organizations and institutions;

The specialists in the material production sphere;

Specialists in the non-production sphere;

Highly skilled workers;

Job placement for servicemen demobilized from the ranks of the Soviet Army;

Job placement for the graduates of the secondary general education schools;

Job placement for citizens registered in Poti;

Vocational-skill qualifications of citizens released from the city;

An account of "idlers";

For placing old-age pensioners who desire to work;

Vacant positions and free jobs (this information is received weekly from the leading city enterprises and organizations);

Vacant positions and free jobs (received monthly from other city enterprises, organizations and institutions);

Operational monthly movement of the personnel.

On the basis of this information, forms are worked out which are sent from the bureau to the association and for now these are processed manually but in the future will be calculated on a computer capable of solving problems related to the automated management of the municipal economy. Thus, an information base is to be established for the operational management of city labor resources. In addition, we have begun inventorying the labor resources using specially elaborated forms and on this basis we have begun compiling a specific city-wide comprehensive program for improving labor resource utilization.

In 1982, 1.5-fold more persons were job placed by the bureau than in 1981. The bureau has become one of the leading ones in the republic.

For More Fully Satisfying the Material and Cultural Needs of the People

The coordinating and organizing role of the association is particularly apparent in increasing the production of goods and domestic services for the public which is closely tied to improving the utilization of production wastes or, to put it more accurately, secondary resources.

One is struck by the comprehensive and scientifically based approach of the Poti workers to solving these problems and by the energetic implementation of the outlined measures. A coordinating working group for consumer goods has been organized, sociological research has been conducted on studying consumer demand and the opportunities for broadening the work of home workers, all local resources have been analyzed and accounted for, including the so-called production wastes suitable for use, a catalog of them has been compiled and reserves of all the enterprises have been studied for increasing the articles in demand by the public. Under the city Quality House they have organized a permanent exhibit of wastes and articles made from them.

As a result it has been possible to discover and begin utilizing reserves which have made it possible for the city enterprises to assume obligations to increase the volume of consumer goods output over the five-year plan by 2.5-fold instead of 1.6-fold according to the plan. Over this time local industry products will double. This jump has been possible due chiefly to better utilization of local resources. Thus, on the basis of quarry wastes at the mining-industrial combine they have organized the production of facing slab, they have established a shop producing wallpaper, and have begun to quickly exploit the reserves of construction sand and peat. The funds of the association have been used to pay completely for a tea concentrate combine which last year produced 1,608,000 rubles of product. They have organized the output of garments from production wastes at a garment mill, they are designing a multisector combine for processing secondary resources and producing rubber sports footwear and so forth. In cooperation with neighbors the Poti workers are building a wall module plant in Gegechkorskiy Rayon, they are taking proportional participation in the construction of a brick plant in Chokhataurskiy Rayon and so forth.

For the enterprises of the TMO a special form has been worked out for accounting and planning the production of consumer goods considering the detected reserves. The indicators incorporated in this form make it possible to

effectively monitor the fulfillment of the production plan for consumer goods, their quality as well as the degree of utilizing waste products for these purposes. While in 1980 Poti produced 48,000 rubles of product from waste materials, in 1982 the figure was already 326,000 rubles and in 1983, 427,000 rubles. By the end of the five-year plan this volume will reach 700,000 rubles.

Of course, this is a small amount in the total volume of commodities produced in the city for the public but, in the first place, this amount helps to improve the satisfying of consumer demand, secondly, it increases production efficiency and, thirdly, teaches us to be considerate of the common weal. To make Poti a "waste-free city" is becoming a fully feasible task.

The TMO gives great attention to improving the service for consumer services. In February 1982, an interrayon transport-forwarding service (TES) was organized for serving the public. Among its services is the delivery of fertilizer and sand for drainage work on the private subsidiary farms.

The association has achieved an improvement in the operation of public transport. In Poti for the first time in the republic, a very effective system was introduced for monitoring the operation of public transport. This system is called Nalmas and has helped organize traffic strictly according to schedule, increase the operating speed of the buses and reduce the waiting time during peak hours to 8-9 minutes. Sociological questionnaires and checks have shown that at present there are virtually no latenesses to work caused by transport.

In 1982, the city Food Program was approved. With the help of the TMO which has provided the labor collectives with all-round effective aid in this regard, the gorispolkom was able to actively influence the course of fulfilling the program and at present higher results have been achieved than was planned. With a plan to increase meat consumption per capita by 8.5 kg solely due to the city's internal reserves, the actual increase was 9.2 kg. In 1983, the number of subsidiary farms at the city enterprises rose up to 17 (in comparison with 14 in 1982). Their feed supply has been strengthened by developing 200 hectares of land in Khobskiy and Lanchkhutskiy Rayons. The subsidiary farms have sold to the worker dining rooms 72 tons of pork, 9.2 tons of poultry meat and 220 quintals of vegetables. The meat from these farms is also being sold at the Rybkoop [Fish Cooperative] store and the association is assuming a portion of the expenditures to sell it cheaper and help influence a price reduction on the market.

According to an estimate approved by the TMO Council, the association is to invest money in the building of the TMO and Rybkoop store, into the reconstruction of the summer movie theater, to repair the quarters of the debate club, to build a rest area at the entry to the city and public works for the city.

#### Scientific and Technical Progress is Accelerating

The TMO carries out all its diverse activities to accelerate the development of the city economy and improve working and living conditions for the public, and in addition plans to carry out this in the future on a basis of scientific and technical progress.

With the aid of the association, the gorispolkom has been able to more actively influence a rise in the technical level of the enterprises and product quality, to introduce new equipment and production methods, to mechanize and automate manual labor and to increase the activity of innovators in the city and the labor collectives as a whole. For this the association has established sections for introducing new equipment and the ASU-Poti [Poti Automated Management System].

A course has been set of organizing active creative collaboration of the Poti enterprises with the scientific research institutes, primarily for introducing those development which provide a high end result with the least expenditures. Thus, the Poti Machine Building Plant for Hydromechanization with the help of scientists has worked out and developed the production of a new powerful hydraulic dredge. The dredge is 20 percent more productive than the previous machines while at the same time its metal and energy intensiveness have been substantially reduced. This has provided an economic effect of 10,000 rubles for each machine.

Scientific and technical achievements will be widely employed at the tea concentrate combine where the Anaseul Chayprom [Tea Industry] NPO [Scientific-Production Association] as well as UkrNIIkhimmash [Ukrainian Scientific Research Institute for Chemical Machine Building] have been involved in solving the question of scientific and technical progress.

Finally, the most important measure has been establishing the ASU-Poti which puts into the hands of the TMO a powerful tool for profoundly analyzing all the production and economic activities of the enterprises and organizations as well as for taking effective and competent decisions. The Georgian Affiliate of the VNIPOU [All-Union Scientific Research Institute for Organizational and Management Problems] under the Georgian Academy of Sciences has headed the working out of the plan for the automated control system.

The association is establishing a central dispatcher service for collecting, processing and transmitting information to the regional computer center.

The use of mathematical economics methods, modern computers and communications for the needs of intersectorial management will make it possible to more efficiently solve the problems of the city's socioeconomic development, to significantly reduce labor expenditures and to strengthen executive discipline of the enterprise and organization leaders and their responsibility for the end results of the work.

The enterprising and concerned approach of the TMO to the problems of scientific-technical progress at many of the city enterprises has caused an influx of creative activeness among the innovators and inventors. Over the last year, their number has increased by 1.5-fold. Last year, in comparison with the previous one, the economic effect from the introduction of new equipment and production methods increased by more than 2.5-fold while the number of workers performing their job using machines and mechanisms increased. In being concerned with the further development of this process, the TMO has begun establishing creative introduction brigades, that is, at present with the aid of the association the enterprises will conclude a contract with groups of specialists and innovators to work out and actually introduce mechanization and advanced production methods.

These are the first positive results and the promising prospects of the Poti experiment. Of course, not everything is as yet going smoothly. However, as a whole, we feel, the experiment has already shown the usefulness of improving territorial-intersectorial management in the small- and medium-sized cities through the local soviets. As can be seen from the facts given in the article, the innovation has brought benefit both to the city workers and to society as a whole. As a generalizing indicator, one might give the following fact: over the 3 years of the five-year plan, the receipts from the city enterprises and organizations to the Union budget have increased by more than 2.5-fold, to the republic budget by 1.2-fold and to the local budget by 1.7-fold. At present, measures are being taken, on the one hand, to extend the experiment and to give the municipal soviet and the TMO greater funds and rights for influencing the development of the city economy, and on the other, to broaden the experiment. Kutaisi, Rustavi, Zugdidi and other Georgian cities are preparing to establish or, it might be better said, to strengthen the intersectorial management of the economy and the socioeconomic development of the regions.

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## ECONOMIC POLICY ORGANIZATION AND MANAGEMENT

### EXPANDED ENTERPRISE RIGHTS DEMAND GREATER RESPONSIBILITY

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 6, Jun 84 pp 35-42

[Article by V. Rzheshhevskiy, deputy department chief of Gosplan, USSR:  
"Expansion of the Rights and Responsibility of Industrial Enterprises"]

[Text] Speaking at the 1st session of the USSR Supreme Soviet, 11th Convocation, K. U. Chernenko, general secretary of the CPSU Central Committee and chairman of the Presidium of the USSR Supreme Soviet, observed: "What is required of us now--more so than ever before--is to make weighty, carefully considered decisions and put forth a great organizational effort so as considerably to improve the efficiency of the economic system and on that basis steadfastly to better the living conditions of all Soviet people."\* This task is to be accomplished through the economic experiment that is being carried out in a number of ministries. As is well known, the experiment aims further to improve the economic mechanism and to develop initiative and socialist enterprise in the basic element of industry: the associations (enterprises).

The production work collectives, which are the creators of all physical assets, must guarantee efficient utilization of the allocated resources and qualitative improvement of the goods produced; they must inculcate strong work and production discipline and ensure correct observation of the work and consumption standards with due regard for the final work results of the entire collective.

To this end, the collectives of the production associations and enterprises have been granted--in accordance with the conditions of the experiment--more extensive rights concerning disposal of resources. At the same time, their responsibility for the results of their work has been enhanced.

The policy pursued by the Party--which aims optimally to combine centralized planning with independent operation on the part of the enterprises--is supported and encouraged by the labor collectives.

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\*PRAVDA, 12 Apr 84.

The need for the supplementary measures allowed by the conditions of the experiment was occasioned by the fact that a number of previous regulations, which were oriented toward motivating the enterprises and associations toward cost accounting, did not have the proper effect in regard to intensification of production and improvement of production efficiency. In particular, they failed to ensure the stability of the wage norms per ruble of production and of the norms for the enterprises' incentive fund formation; the enterprises thus had difficulty in applying the Shchekino Experiment. In a number of cases, the indicator of normative net production proved questionable. We have not sufficiently developed the principle of differentiated selection of the work evaluation and stimulation indicators of enterprises in different industrial sectors with due regard for the specific characteristics of their work. On account of the imperfection of the specific ways of implementation, several other important regulations likewise did not produce the desired effect.

As yet, we have failed to make the five-year plan the organizational basis of the economic operations of all enterprises. Now as before, it is the annual plans that are the key factor, and the ministries, associations and enterprises continue to make increased demands for new construction and for material, technical, financial and labor resources and they understate their resources concerning expansion of production and improvement of the qualitative indicators of economic activity. It was to negative phenomena of this kind that attention was directed at the April (1984) Plenum of the CPSU Central Committee. "The five-year or annual plan has just been discussed and unanimously confirmed," Comrade K. U. Chernenko stated in his speech. "Consequently, it has acquired the force of law. And then what happens? Why, it is a fact that representatives of one or another department or oblast demand--often without due justification--new material and financial resources in excess of what has already been allocated to them in accordance with the plan. Frankly, this trouble is nothing new. But some comrades have got so accustomed to it that they consider it almost a norm of life."\*

For reasons of this kind, a tight situation has developed in regard to securing the material and technical resources of capital construction. At the same time, there is not enough equipment for the technical retooling of operating enterprises. Consequently, the production development funds frequently are not used by the ministries for what they are actually meant for; they are turned into a source of financing production expansion and modernization and new construction implemented in accordance with the state plan.

The direct long-term economic links prerequisite for strengthening the consumers' influence on the technical level and quality of the goods produced are frequently broken on account of nonfulfillment of the plans. There has been a weakening of the responsibility of ministries and enterprises for expeditious delivery of goods to the consumers and for studying the specific commodity requirements of both the national economy and the population.

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\*"Materials of the CPSU Central Committee Plenum of 10 April 1984," Moscow, Politizdat, 1984, p 12.



The important resolutions that have recently been adopted--in particular the Law on Enhancement of the Role of Labor Collectives in Enterprise Management--and other measures are aimed at overcoming negative phenomena in economic development.

As to the experiment being conducted, it is very important in this process to examine the effectiveness of the measures specified: enhancement of the role played by the enterprises in the development of the plans at all planning stages through extensive application of economic norms; enhancement of their responsibility for providing the national economy and the population with particular kinds of goods; extension of the enterprises' rights and capacities in regard to raising the technical level of production by means of internal resources; motivation of the enterprises' labor collectives to operate with fewer personnel; improvement and consolidation of the system of incentive fund formation; augmentation of the internal financial resources through curtailment of profit. These measures will be implemented upon further consolidation and improvement of the centralized administration of the economic system as a whole.

In accordance with the conditions of the experiment, the five-year plan will specify for the enterprises a limited number of indicators differentiated with regard to the special work characteristics of the corresponding sectors. Their values can be defined more precisely in the annual plans. This constitutes the key function of the five-year plan indicators, since in the current system the capital investment limits incorporated in the five-year plan and broken down by year are not subject to modification in the annual plans.

Variation of the indicators entails extension of the range of economic norms. Under the conditions of the experiment, the five-year plan will influence the economic activity of the associations (enterprises) primarily through the economic norms. That is to say that they will determine the relation of the size of the wage funds, the sociocultural measures and the development of production to the final results, the improvement of production efficiency and the degree of plan target attainment.

In previously adopted documents, economic norms were assigned an essential function. Their stability was supposed to motivate the enterprises to dis-close their reserves. It proved impossible, however, to ensure such stability by mechanically linking them to five-year plan targets broken down by year.

For developing the wage fund, the conditions of the experiment allow the enterprises to employ the norms of fund increase for each percentage point of increase in output volume. As a rule, these norms are determined by the indicator of standardized net output. They are characterized by the fact that in the utilization of the growth norm the general wage fund is formed from two parts: the amount of the base fund and the amount of the wage fund increase calculated by the norm for each percentage point of production gain. The latter is established on the basis of the total production gain through increased labor productivity and observance of the plan correlations--specified by the five-year plan control figures--between the increase in the productivity of labor and the average industrial wage.

This kind of approach makes it possible to consolidate the wage fund level attained and this will motivate the enterprise collectives to reduce their operational staff. This approach ensures observance of the norm-imposed proportions between the increases in labor productivity, in production and in the average wage for the five-year plan years, while modifying the output volume and labor productivity growth rates in the annual plans.

The norms established in accordance with the regulations approved previously did not ensure the conditions stated. They were based on the specific target values--stipulated for a particular five-year plan year--concerning increases in production, labor productivity and average wages.

Employment of the new norms entails a special system of advanced payment and subsequent liquidation by the enterprises of a supplementary wage fund that is used for paying the workers engaged in making new capacities operational. Newly introduced capacities (shop, section, unit) are not at once put in production at full capacity, since supplementary labor is required. Consequently, a situation develops where the enterprise needs a wage fund that exceeds the normative fund.

The norms employed make allowance for a similar situation in the five-year plan, with the targets distributed annually. For transposition of the terms of introduction of new capacities in the annual plans as against the five-year plans, the terms were revised.

In the course of the experiment, enterprises introducing and making operational large-scale production capacities are granted a supplementary wage fund intended for paying the workers engaged in making the new capacities operational. This supplementary fund is separately included in the labor plan as long as it is not covered at the expense of the wage fund increase calculated in accordance with the specified norm of production gain.

Consequently, the further augmentation of the wage fund of enterprises putting new capacities in operation is carried out to the extent that the amount of fund increase calculated by the norm exceeds the amount of the supplementary fund allocated for putting new capacities in operation. It can be stipulated not only in the five-year plan, but also for the subsequent year and it must be covered by a corresponding increase in commodity output in the following plan periods.

Moreover, the growth norm functions in conjunction with the labor productivity growth target specified in the annual plan. For example, the base wage fund of the enterprises and associations is maintained if the labor productivity increase in the annual plan exceeds or equals the average annual labor productivity increase for the 5 years preceding the plan year. If this condition is not met, the wage fund of the base year will be reduced by the established norm for each percentage point of reduction in labor productivity gain in the annual plan against the average annual growth rate of labor productivity during the 5 years preceding the plan year.

The given measure induces the enterprises more efficiently to utilize the available reserves and steadily to improve labor productivity. Let us assume that in the preceding 5 years the production and labor productivity gains of an enterprise amounted to 5 percent per year. In the plan year, there arises a situation where as a result of changes in demand in regard to certain kinds of goods a mere 3-percent increase is possible. Previously, this would not have caused the enterprise managers any concern, since the base wage fund was maintained and in addition a 3-percent fund increase was effected. The average wage likewise remained at the previous level. Moreover, some enterprise managers simply would have avoided adopting a stepped-up plan concerning production volume gains.

Under the conditions of the experiment, things are different. In the example adduced, the enterprise is facing a dilemma--either lose part of the base wage fund and reduce the workers' average wage or find the capacities for maintaining the labor productivity growth rates attained. The former is obviously inadmissible for the collective and for the enterprise managers. As to the latter approach, it is possible here to release part of the workers (in our example, 2 percent) and at the same time raise the average wage of the remaining workers by 2 percent. This is advantageous to the enterprise collective, since the entire wage fund savings remains at its disposal and the state organs can direct the people released to jobs elsewhere. Elaboration of the 1984 draft plan under the new conditions has shown that the enterprises have such capacities and that they are able fully to utilize them.

Characteristically, the norms of wage increase for each percentage point of production gain are relative quantities and thus can be unified for groups of industrial sectors; they can be differentiated, if necessary, with regard to a small number of factors.

In kopecks, wage expenditure per ruble of output always varies, since at each enterprise the correlation between the output volume in terms of value and the wages paid depends on the production structure.

With utilization of the norm of wage increase for each percentage point of production gain, the situation is somewhat different. The base wage fund is stable and reflects the developing production conditions. As these conditions change as a result of circumstances such as introduction of new production capacities, a supplementary wage fund is allocated, which is then included in the base. The growth norm is relative and signifies the share of basic wage fund increase for each percentage point of production gain. Thus, being unified, it also takes into account individual production characteristics.

Application of economic norms in combination with specified fund-producing indicators in both the five-year and the annual plans is necessary to create in the associations (enterprises) stable management conditions over a period of 5 years and directly to relate the funds received by the labor collectives for wages, social development and technical reequipment to the final results of their work.

In accordance with the experiment, improvements are made also in the system of specified indicators: the production volume is determined according to actual output with due regard to fulfillment of the agreements; the indicators' practical importance in regard to production of new equipment is enhanced. The specified evaluative indicators include the targets for integrated scientific-technical programs (included in the production plan), the putting in operation of first industrial series, the technical production level targets and the relative share of top-quality products. At the same time, labor targets such as the work force limit and the reduction of the number of manual workers are not included in the plan; nor is there specification of the correlation between the increase in labor productivity and the average wage. All these functions are performed by the stable norm of wage fund increase for each percentage point of production gain. The enterprises are given targets for the reduction of net production costs. In connection with a large relative share of expenditures of material resources, the indicator of material input restriction is abolished, which simplifies calculations without impairing centralized production management. Normative profit distribution is for the first time applied on a larger scale and rendered more effective on the enterprise level so that the collectives showing good final work results have at their disposal greater profit.

Expansion and enhancement of the enterprises' responsibility and motivation in regard to supplying the national economy and the population with specific types of goods will be carried out through improving the methods of evaluating their work. To this end, the work of the associations (enterprises) is evaluated primarily in terms of fulfillment of delivery obligations in regard to products list (assortment), quality, and meeting of the contractually fixed delivery dates.

This represents a fundamental change in regard to determining the main operational objectives of the labor collectives. Instead of the orientation toward the "gross" value indicator, the enterprises aim to achieve an expanded product mix within the contractual time limits. With this change, there opens up the possibility of gradually eliminating the disruptions in commodity delivery to the consumers and of improving the actual as well as the projected balance of industrial operations.

Along with the enhancement of the role the indicator of contract-based commodity sale plays in evaluating the enterprise's operation, supplementary measures have been taken to provide incentives for the enterprise from the economic incentive fund. With total observance of the contractual terms, the deductions going into that fund are increased by 15 percent (as against 10 percent previously), whereas for each percentage point of nonfulfillment of the sales plan with regard to delivery obligations, they are reduced by 3 percent. This measure is necessary; besides, it is obviously advisable also to improve the developing contacts between the enterprises and the sectorial and regional supply organs. At present, many plants deliver their products to thousands of minor consumers (in terms of volume, below the established transit shipment norms), thus essentially doing the work of regional supply organs. As long as the question concerning delivery fulfillment was not posed as acutely as in the experiment, both the enterprises and the supply

organs put up with the existing situation. It is necessary now, at the very beginning of the experiment, clearly to define the responsibilities and the changes that in this connection must be made in the delivery conditions specified previously.

The expansion of the enterprises' rights and means in regard to raising the technical production level by means of internal resources is carried out in various directions. In the first place, the production development fund is being reestablished, which the enterprise can use independently. According to the stipulations, the fund assets will be allocated in the plan in a separate category as noncentralized capital investments together with centralized investments and will be fully secured through the necessary financial resources and contract operations.

Gosplan USSR and Gossnab USSR are working out a system of guaranteed allocation of equipment and other material and technical resources and also the volume of the construction and assembly work necessary for carrying out measures financed in a noncentralized way through the production development fund (analogous to the system of providing centralized capital investments). It is obvious that reestablishment of the production development fund as an enterprise motivation fund must be carried out gradually, in the course of the impending 12th five-year plan, since one-time reduction of the centralized capital investments by the amount of the above fund is practically impossible. This may result in curtailment of work started. The plans also provide for decentralized use by large-scale enterprises of part of the unified science and technology development fund set up at the ministries; this should significantly increase the resources of the enterprises' engineering services regarding independent development of new technologies and also compensate for the increased expenditures during the time they are put into effect.

Together with the above-mentioned measures, the enterprise will be given the opportunity to use for technical production retooling part of the funds designed for capital repair wherever it is expedient.

One of the main tasks in regard to improvement of the economic mechanism within the framework of the experiment is to motivate the labor collectives to operate with fewer personnel. This task is solved by means of the economic norms imposing state control over the wage fund total and by means of expanding the enterprises' rights and resources in regard to utilizing wage fund savings obtained within the limits of the established norms for paying bonuses to skilled workers for outstanding work results. These measures are to play an important role in the large-scale dissemination of the Shchekino Experiment and in motivating the labor collectives to increase production output with fewer personnel. In regard to closely relating the enterprise's wage fund size to the final production results and increased production efficiency, formation of this fund on the basis of economic norms and work indicators is of crucial importance.

At the same time, work is in progress to improve and consolidate the system of developing the economic incentive fund, the size of which will depend on attainment of the targets concerning product delivery in accordance with the

contracts concluded and also with regard to the specific character of the sectors and of the production efficiency indicators: reduction of commodity production costs (profit increase), improvement of production technology, improvement of labor productivity, utilization of producer goods. A new aspect in regard to the development of the economic incentive fund is the fact that its size will be planned independently by the enterprises and associations on the basis of the total amount accumulated in the base year and of the supplementary, norm-based allowances for each percentage point of change in the fund-developing plan indicators as compared to the base year.

Regarding accomplishment of the tasks in connection with the social development of the labor collectives, the fund of sociocultural development measures and housing construction is playing a larger role now. It will gradually become the main source of improving the social, housing and living conditions of the workers at operating enterprises. In contrast to present practice, its development will depend not on the size of the economic incentive fund, but on the dynamics of one of the efficiency indicators, which for the majority of the sectors is the labor productivity increase. Thus improvement of the housing conditions of the workers at enterprises and associations is closely linked with labor productivity gains.

The enterprises and associations are granted greater rights in regard to utilization of the wage fund, which is calculated according to specified indicators and norms. On the basis of fund savings, it is allowed to add supplementary payments and temporary raises--totaling up to 50 percent of due wages--to the pay of highly skilled workers. This reduces the limitations in the dissemination of the Shchekino Experiment.

As to evaluation of the proposed measures aimed at strengthening the links between the size of the enterprises' wage fund and their final work results, a more flexible utilization of this fund with the object of encouraging outstanding workers can lead to greater wage differentiation among enterprises as well as among workers. In our view, such differentiation is justified; and it is necessary for motivating the labor collectives to utilize the production reserves. It will improve the position of leading production workers and well-functioning enterprises.

Under the conditions of the experiment, the enterprises and associations are granted more rights in regard to profit utilization. To this end, it is planned to expand the practice of normative profit withholdings in the budget, with due regard to the specific character of the individual sectors. With the normative withholding remaining unchanged over the period of 1 year, the amount of the profit left at the disposal of the enterprises and associations will depend on the financial results of their management and production operations.

Special importance is attached to enhancing the motivation and responsibility of the associations (enterprises) in regard to supplying the national economy and the population with the necessities of life, i.e. fulfilling their obligations in connection with product delivery in accordance with the agreements concluded and the job authorizations accepted.

With regard to delivery implementation under the conditions of the experiment, the sales indicator becomes the key factor in evaluating the operation of enterprises. Besides, the labor collectives' motivation and economic responsibility in the struggle for implementation are considerably enhanced. As was shown by the first experiment, however, supplementary measures are needed--both in regard to organization and in regard to method. Some measures of this kind have already been taken. The board of Gosstab USSR has made a number of decisions allowing practical control of the supply process of the enterprises carrying out the experiment.

Changes are made in the role played by regional organizations of Gosstab USSR in connection with the sale of those types of goods that are shipped in small batches to a large number of consumers. The conditions are determined for shipping goods to one address--a regional base according to the location of the consumers; the process of supplying materials and equipment to the enterprises participating in the experiment has been strengthened; steps are taken to ensure continuous shipment of raw materials, fuel and materials, dispatch of the finished products and timely payment by the recipients.

However, these are merely the first steps in regard to raising the level of delivery discipline. The commission for overall management of the economic experiment is carefully examining and analyzing the causes underlying the disruption of deliveries at enterprises of various industrial sectors.

In January 1984, with the assistance of executives of the appropriate ministries, there were exposed the causes underlying the nonfulfillment of delivery obligations by Uralmash, the Novo-Kramatorsk Machine Building Plant Production Association, and the Podol'sk Cable Plant imeni Gotval'd Minelektrotekhprom. Consequently, it was seen to be necessary partially to revise the basic modes of commodity shipment so as to define more accurately the mutual responsibilities and rights of the enterprises (both suppliers and consumers) and also of the organs of supply, marketing, trade and transport that are connected with them.

Since 1984, 700 enterprises of 5 USSR industrial ministries have joined the economic experiment. They have been supplied with all the necessary methodological and instructional materials and they have promptly received the plan indicators, limits and economic norms. The problems concerning material and technical supply and commodity sale have been studied more deeply. Thus the first stage in the introduction of the new economic mechanism has been completed.

This has enabled the production associations (enterprises) already during the development of the plan to specify the product mix, to conclude economic contracts and more carefully to prepare the production process to ensure attainment of next year's plan targets. Attainment of the plan targets along with the economic norms and extension of the production associations' (enterprises) time of preparation for fulfillment of next year's plan have allowed the ministries within the framework of fixed resources and limits to work out plans that in regard to the basic indicators exceed the average annual growth rates attained and the control targets established for 1984. At the same

time, the amounts of the work fund, the economic incentive fund, the production development fund and the unified fund for the development of science and technology have been specified in the plan calculations for 1984, as against 1983, on the basis of the approved norms and in relation to the improvement of the fund-development indicators.

Improvement of the qualitative indicators of the enterprises participating in the experiment will be possible only if the principles of the new economic mechanism are brought not only to all enterprises and their management, but also to each shop, section, production plant and the various services, and if the development of the workers' creative initiative is assured.

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## ECONOMIC POLICY, ORGANIZATION, AND MANAGEMENT

### ENTERPRISE INCENTIVES, IMPORTANT FACTOR IN EXPERIMENT

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[Article by I. Mikhaylova-Stanyuta, senior scientific associate at the Belorussian SSR Academy of Sciences Institute of Economics, and P. Kapitula, sector chief: "The Final Result of Production and Material Incentive for Enterprises"]

[Text] At the CPSU Central Committee February (1984) Plenum comrade K.U. Chernenko stressed that "the system of economic management and our entire economic mechanism are in need of serious restructuring. Work on this plane has only just begun. It includes a large-scale economic experiment to extend the rights and enhance the responsibilities of enterprises. The search is on for new forms and methods of management in the services sphere. Undoubtedly they will provide much that is useful and help us to resolve a strategically important question, namely improving the efficiency of the entire national economy." One important step in the realization of this task has been the CPSU Central Committee and USSR Council of Ministers decree on additional measures to extend the rights of production associations (or enterprises) in industry in planning and economic activity and in enhancing their responsibility for work results.

The basic immediate task of the experiment now being conducted is to make a practical check on a complex of measures to extend the rights of production enterprises and associations in planning and economic activity. Here great importance attaches to the essential reduction in the number of confirmed indicators. The desire to establish tasks in each year of the five-year plan on a directive basis has been found to be excessive for a considerable range of indicators because of their insufficiently good scientific substantiation.

It is known, for example, that the system of physical and value indicators for production volume are poorly matched. The contradictory nature of these kinds of value indicators, as for example, sold and normativ-net output, have frequently placed labor collectives in an impasse, since meeting targets for one of them in no way means realization of directives for the other indicator, and in the final analysis has not led to satisfaction of society's demand for the means of production or for consumer goods.

Experience shows that the dominant role in evaluating activity and providing economic incentive for labor collectives should be assigned to fulfillment

of contractual obligations for the delivery of output. However, despite various kinds of administrative measures to exert an influence, this requirement is still not realized anywhere near as often as is necessary. Up to now it has for some reason been considered normal when a given plant fails to fulfill its plan in terms of the products list. Here the enterprise managers and the entire administration and all engineering and technical personnel even receive bonuses.

The unsoundness of this situation is obvious. The lack of a rubber guide costing a kopeck on an assembly conveyer at a plant or of an inexpensive power transformer at a major construction site frequently involves losses of hundreds of thousands of rubles. Society sustains an enormous loss, while the workers and collectives that allow it not only are not punished but are even given bonuses. As was emphasized at the CPSU Central Committee December (1983) Plenum, this kind of distortion in the assessment of economic activity and economic incentive is today impermissible.

The new management conditions determine in a clear-cut way that any enterprise acting as a supplier should subordinate its activity completely to satisfying social demands according to a plan and contractual obligations. This task is being realized during the course of the experiment that is being conducted. Instead of six volume indicators established on a directive basis, there is only one--production of the main kinds of output expressed in physical terms, including the production of high-quality output. The significance of this indicator for socialist production should not be underestimated, since its ultimate goal is to satisfy the demands of society and of each member of society. The number of items on the basic products list of articles produced confirmed "from above" has also been reduced. Only 24 of the original 124 remain. All the rest are planning-and-estimate items.

Planning output volume under the terms of contracts with consumers or their middlemen will place the labor collectives in a fundamentally new situation in which there is no place for subjectivism in selecting the products list for articles produced for the sake of the notorious "gross output." And not because this indicator is not regarded as fulfilled if the enterprise fails to cope with the delivery plan. Now, only output delivered in accordance with contracts with consumers is counted. The volume of sales, taking contractual obligations into account, now serves as the main volume indicator for the enterprises.

Reducing the number of directive indicators does not signify any weakening of the principles of democratic centralism in the management of the country's unified national economic complex. The reduction has been made possible thanks to the development of a number of economic normatives that link more closely the interests of the national economy and of the production collectives. These normatives are being confirmed for labor productivity growth, reduced prime cost of output (or increased profit), profit distribution, and growth in wages funds and in the material and economic incentive funds.

One very important direction in enhancing the responsibility of the production collectives for the results of their work is improvement in the system of material incentive. The economic experiment is oriented more consistently

on the dialectic contradiction between the two sides of material incentive, namely encouragement and punishment. Under the new management conditions an important role is being played by paying wages according to the quantity and quality of labor.

The wages fund is now formed from the sum of the fund for a base period plus additional sums allocated according to its growth normativ for increases in the production of commodity or normativ-net output. In the Belorussian SSR Ministry of Light Industry the additional wages fund is calculated according to a normativ for each percentage point of growth in normativ-net output. Here the closer link between all economic parameters for growth should be particularly emphasized. The normativs established for growth values are distinguished by their great stability. And this is an essential condition for the effectiveness of the incentive system.

Economic experience has shown convincingly that the method used earlier to calculate wages costs per ruble of output did not insure stability in the normativs, which were being reviewed not only when the plan was being compiled but also frequently during the course of its fulfillment. And here, like corrections made to annual production plans, clarifications or changes in the normativs used to form the wages fund were frequently subjective in nature.

The experiment envisages the establishment of a single stable normativ for the formation of additions to the wages fund, depending on production volume growth rates. The closer link between these factors has not slowed down the effect on output growth. Already during the course of preparation for work under the new conditions the Belorussian SSR Ministry of Light Industry introduced a proposal to increase this year's production plan by more than R50 million. This testifies to the fact that within the sector they recognize the advantages that successful fulfillment of the experiment's tasks promises.

Extending the rights of labor collectives to use the savings made in the wages fund through cutting back on the numbers of personnel is of great significance for enhancing the creative activity of workers and improving final results. With the agreement of the trade union committee, association and enterprise administrations have the right to establish within the limits of the wages fund additions to the basic wage rate for highly skilled workers for their professional skills and the fulfillment of especially crucial work; these additions can amount to 16 to 24 percent of the basic rate for engineering and technical workers and up to 50 percent of salary for position for employees. If personal indicators deteriorate these additions and extras should be reduced or completely eliminated.

Collectives' material interest in meeting their contractual obligations is strengthened. This has enabled the Belorussian SSR Ministry of Light Industry to increase the material incentive fund by 15 percent, which amounts to R4 million. For each percentage point by which the deliveries plan is underfulfilled, three percentage points are lost to the material incentive fund. At the same time it is obvious that while the problem of variable profitability for produced output exists it is not possible to achieve unconditional fulfillment of the deliveries plan by regulating the incentive fund. The fact is that the wages fund is determined by output growth without taking into account fulfillment of the products list plan.

The insignificant proportion of payments from the material incentive fund to the average wage for production personnel (about 10 percent) does not eliminate "discontinuation" of an unprofitable product mix and disruption of the delivery plan in favor of a more expensive and profitable product so as to form a full-weight wages fund.

Within the incentive system the importance of high-quality articles and articles enjoying increased demand has been enhanced. Whereas additional allocations to the material incentive fund for each percentage point of increase in the proportion of highest category consumer goods within the total production volume used to amount to one percent of the planned material incentive fund, under the conditions of the experiment the figure is two percent. This measure has helped this year in raising the proportion of highest quality output in the Belorussian SSR Ministry of Light Industry by almost six percent compared with last year's level.

The level of renewal of the basic kinds of goods in terms of models and color and pattern has been raised on the basis of improved modeling and design and the use of new kinds of raw materials and materials. By the end of the five-year plan the production of highest category output and improved quality output under the "N" index ("N" for new) will be 35 percent of the total volume of articles. This year alone the task has been set of achieving the assimilation of more than 1,500 kinds of goods with the state mark of quality.

The experiment envisages not only incentive for increasing high-quality output but also collectives' material liability for the production of substandard output. For each one percent of substandard output returned the material incentive fund is reduced by three percent.

A new procedure for material incentive for strengthening the regime of thrift is called upon to play an important role in production intensification and improved production efficiency. In accordance with the standard instructions on bonuses for workers at enterprises for main results of economic activity, under the conditions of the experiment provision has been made for incentive for workers to save specific kinds of material resources compared with established norms. Each quarter the size of the bonuses can reach 0.75 of the monthly basic rate.

A study of enterprise operations has shown that specific provisions on paying bonuses for saving raw materials and materials are not being employed. The producers explain this by the fact that most norms are established directly at the enterprises. It is often not a complicated thing to overfulfill them, and this means that bonuses may not be fully deserved. Consequently, the system of norming and calculation needs to be improved.

Strengthening the material interest and the responsibility of the labor collectives and of each worker for achieving high final results is one of the very important goals that the experiment is pursuing. Already today, however, it is obvious that under the new conditions the goal-oriented direction of improving the economic mechanism by increasing its influence on production efficiency is not being fully realized.

First, this is because neither the base wages fund nor the normativ for wage fund growth is linked with the effectiveness of capital investments and fixed production capital, even though the output growth rates and labor productivity growth rates do depend on the volume and effective utilization of capital investments, and also available fixed capital. Because of this the normativs for wage fund growth for increases in output volume should also depend directly on the effectiveness of capital investments and fixed production capital. It should be noted that it is no simple matter to establish such a dependence because questions of law-governed patterns in the dynamics of return on capital and return on investment and the use of these indicators in the economic mechanism are still under discussion.

Second, the wages fund for labor is still inadequately oriented on savings. Normativs for the formation of the wages fund and the material incentive fund are established from the need for labor productivity to outstrip average wage growth. But savings on current material expenditures are in practice in no way connected with collective labor productivity growth. Providing incentive for thrift acquires a somewhat formal and subjective character since determination of the size of allocations to the material incentive fund from savings made on material expenditures cannot be regarded as really justified.

There is probably no special need to show that only on the basis of a balance in physical and value proportions is it possible to resolve the task of the planned development of the national economy. The use of present-day management means makes it possible to compile the appropriate balances. However, the technical side of the matter is not the most important one. It is important to eliminate the varying degree of profitability in the production of output so that each producer has an interest in producing output needed by any enterprise or by the state.

The indicator "sold output taking into account fulfillment of products list agreements" is close to this requirement, if, of course, the products list for articles is also everywhere defined in accordance with social needs. Of course, formulating the question in this way requires complete suspension of administrative and local interests and achievement of 100-percent fulfillment of the deliveries plan under the terms of contracts.

This is not a simple task. In the sectors, which are producing hundreds of items of output and using thousands of kinds of materials to do this, planning is done by the group method and does not guarantee the complete matching of physical and value indicators. And value indicators are the main and decisive ones because both increased output and labor productivity growth depend on them. And most important of all, increases in the average wage. But it should not be so.

It is possible to achieve not only a planned but also an actual balance in production only on the basis of insuring equal profitability for any product manufactured by industry. Studies that have been conducted give us the right to conclude that only prices formed taking into account expenditures of live labor and the means and objects of labor per unit of socially required value for output insure equal profitability for output, both for those who use it

and those who make it. Realization of this provision in fact excludes violation of the planned product mix and products list for output produced and in the final analysis normalizes material-technical supply and the production of consumer goods.

Improving the economic indicators and the forms of material incentive associated with them is undoubtedly very important. However, they will operate "successfully" only given the condition of precise and uninterrupted supplies of material-technical resources to the enterprises. And it is no secret that when production plans are disrupted the managers almost always justify themselves with references (sometimes, unfortunately, quite justified) to shortages of raw materials and nondelivery of subsets of articles by subcontractors.

This is why under the conditions of the economic experiment the timely supply of resources in the required product mix is playing a most important role. For the republic Gossnab the successful resolution of this task has become not only a crucial test but also a matter of honor. And it must be acknowledged that it has been up to this. Right from the start of the experiment the republic Gossnab started to transfer all light industry enterprises to a guaranteed comprehensive servicing. A working group was set up to coordinate activity and also to make operational decisions on questions that might arise.

Before 1 November all funds for this year were allocated for the allotted products lists, and by 15 November the suppliers had been stocked up and the work schedules completed. The order schedules for all manufacturing for the first half of the year were completely filled, and the order schedules for the entire year fulfilled 80 to 100 percent. In short, the Gossnab and the republic Ministry of Light Industry did work that under normal conditions would take the entire year. Long-term contracts were concluded with many suppliers in good time. The order schedules were made up using special blank forms stamped "Experiment."

For items whose supply is outside the scope of the republic administrations, questions are considered by the all-union main administrations for materials and equipment supply and marketing. The timely supply of material resources is constantly monitored. For example, the course of deliveries of products list products from the All-Union Main Administration for Chemicals is analyzed every 5 days. If it is found that any deliveries have not been made, then within 2 days the ministry and the organs of the Belorussian SSR Gossnab together resolve the problem that has arisen.

In the contract concluded by light industry enterprises with the republic Gossnab provision is made for services in the production of output for production consumption, grading, making up subsets, packaging and packing. Thus, the Belorussian Chemical Supply and Marketing Department is obliged to produce receptacles and packaging for chemical products, and sliced cable for the Minsk Worsted Combine. The Belorussian Metal Supply and Marketing Department is obliged to produce cut-out sheet and long lengths of rolled ferrous metal. Fines have been established in the event of failure to meet obligations.

The new supply procedure affects not only production output plans but also capital construction. The question has been raised of including enterprises

carrying out retooling involving capital investments of more than R1 million in the list of projects that are provided with equipment through Soyuzglavleg-komplekt [expansion unknown--ed] regardless of what they are constructing--health centers, pioneer camps, kindergartens or any other project. This is essential so that funding allocated to enterprises to carry out social and cultural measures (and under the new conditions funding for such purposes is growing significantly) can really be used.

The form by which enterprises were supplied with materials and equipment prior to the start of the experiment, according to the products lists of the USSR Gossnab organs for nonproduction needs, did not enable the construction of social and cultural projects within the required time periods and at the volume required because of its definite limitations. Now, however, a unified procedure is being proposed for allocating funds according to USSR Gossnab products lists in order to insure work done both through centralized and noncentralized capital investments. This kind of procedure makes it possible to take a significant step forward in the socioeconomic development of the production collectives.

Other questions are also being resolved. Taking into account the important role of timely shipment of freight when the experiment is being conducted, the republic Ministry of Light Industry, jointly with the Ministry of Motor Transport has adopted a resolution on the organization of centralized deliveries of materials and articles from the enterprises of the Belorussian SSR Gossnab. A separate calculation has been made for those enterprises participating in the experiment, for which motor transport has been allocated in full measure and without waiting in line.

Centralized deliveries are being effected in accordance with agreed schedules. Enterprises place their orders 20 days before the start of deliveries. A products list has been drawn up for the most important kinds of products and strict control has been established over their shipment. The parties pay special attention to centralized transportation of small batches of freight since previously, with regard to these shipments misunderstandings were frequent. Transportation workers often amended the "type of delivery" mark on the schedule from "centralized shipment" to "to be called for." The first half year of work under the new conditions has shown that these substitutions have become less frequent.

If we speak in general about the mutual relations between the republic Gossnab and the light industry enterprises then it must be noted that questions of supplying material resources for basic production plans are being resolved on a current basis. Certain other needs, primarily repair and operating needs, are being satisfied less precisely, but this is nevertheless a very important direction in the work.

Material funds allocated for repair and operating needs have remained at their earlier restricted level or increased only insignificantly. Thus, the Minsk Worsted Combine is still experiencing shortages of low-voltage equipment, electric installations, fluorescent lights, start-up regulation equipment and hacksaw blades.

In order to supply these needs, as before the enterprises are interested in extending the practice of free exchange of surplus resources. At first glance this might seem strange, since the territorial organs of the USSR Gosplan provides for the sale, under an established procedure, of above-normative and unused material values available at enterprises.

However, when you look more deeply into the matter you realize that selling these materials is not the same as exchange in which each has his preferences. This means that it is essential to try to make the territorial organs help the enterprise not only to rid itself of unneeded values but also to provide it with what it does need.

There are many other problems in whose resolution the republic Gosplan organizations could help light industry. One of them is the existing practice of quarterly deliveries of allocations of basic kinds of raw materials and materials. The Minsk Worsted Combine, for example, ships out its products each month since it is rated as a producer of consumer goods even though most of its output is passed on to sewing industry workers rather than trade. Naturally, the worsted workers cannot deal with these kinds of schedules because they must hold a 3-month reserve of raw materials and materials in order to avoid stoppages. Why not make the deliveries of raw materials and materials on a monthly basis to this and to all enterprises? It would significantly reduce normative and excess stocks of raw materials.

In the measures worked out in the supply organizations during the process of preparing for the experiment there is one point that it has not been possible to fulfill. It is the question of bringing up to normative level the temporary stocks of material resources at the enterprises of the republic Gosplan. This is connected with the fact that at the beginning of the year they were left with balances that were much less than required. Evidently the all-union main administrations for materials and equipment supply and marketing should do everything possible to replenish reserves and bring them closer to the normative level.

During the process of testing the new organizational forms the Belorussian SSR Gosplan is preparing proposals for the dissemination of the results from the experiment that have justified themselves in material-technical supply for light industry for use in other sectors of the national economy. Bringing order to the system through which enterprises are supplied with resources will affect not only the increased output of high-quality products but also savings of raw materials and materials. It is no secret that their overconsumption and a decline in the normative quality of output frequently result from the substitution of materials. This is precisely why it is essential to make a careful study of experience in the rational consumption of raw materials and materials and to draw up proposals to spread this experience. And it is light industry that has this experience.

The organization of material-technical supply has improved significantly under the conditions of the experiment. This has not been easy. But progress has still been achieved only in the sectors participating in the experiment. What about the other ministries and administrations? What must be done so that the work is not restricted to a partial improvement but is radically restructured



and insures literally every enterprise with guaranteed supplies? Obviously the answer to this question must be sought not only in the organization of supplies of material resources but also in improvements in planning and improvement in all social production and its complete proper balance.

Bringing order to the organizational structure for the management of material-technical supply is of great importance for the successful resolution of the tasks of the economic experiment. Many of the functions concerned with supplying enterprises with resources are being duplicated by the corresponding plant, departmental and republic organs. Because of this, this kind of management structure cannot be considered adequately rational.

No matter what the differences in the viewpoints of specialists with regard to the effectiveness of the departmental and all-union supply systems, it seems to us that enhancing the material interest and responsibility of enterprises for the production of output of priority need will be greatly helped by the centralization of these functions. It is precisely the USSR Gosplan and its territorial organs that should act as the only middleman between the producers and consumers of output, and on a cost accounting basis.

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## ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

### LEGAL REQUIREMENTS CONNECTED WITH EXPERIMENT CITED

Moscow KHOZYAYSTVO I PRAVO in Russian No 7, Jul 84 pp 9-12

[Article by Honored Lawyer of the RSFSR V. Ostrovskiy, chief of the Juridical Department With Board of Arbitration of the Ministry of the Electrical Equipment Industry: "The Legal Service Under the Conditions of the Economic Experiment"]

[Text] In January of this year the Ministry of the Electrical Equipment Industry began the conducting of the economic experiment.

Much work on the improvement of the management of the economy, the improvement of the style and methods of management and the development of the creative activity of the working people was performed in the central staff of the Ministry of the Electrical Equipment Industry, at subordinate all-union industrial and production associations and enterprises for the creation of the necessary conditions for the conducting of the experiment. The Ministry of the Electrical Equipment Industry drafted, submitted for approval to the appropriate ministries and departments and delivered to the production associations and enterprises the following basic procedural and standardized documents:

the Procedural Instructions on the Standardized Formation of the Wage Fund for 1984-1985 for Production Associations (Enterprises), as Well as for the Ministry as a Whole Under the Conditions of the Economic Experiment;

the Statute on the Formation and Use of the Assets of Economic Stimulation Funds;

Supplements to the Prevailing Procedure of Pricing;

the Standard Statute on the Payment of Bonuses to the Workers of Production Associations and Enterprises for the Basic Results of Economic Activity;

the Statute on the Payment of One-Time Bonuses to the Workers of Production (Scientific Production) Associations, Enterprises and Organizations of the Ministry of the Electrical Equipment Industry for the Fulfillment of the Plan Assignments on the Development and Output of Products Which Conform to the Best World and Domestic Models;

the Statute on the Payment of Bonuses to the Workers of Production Associations (Enterprises) for the Enlargement of the Range (Assortment) and the Increase of the Output of Machines, Equipment, Instruments, Cable Items and Electrical Materials for Export;

the Statute on the Special-Purpose Payment of Bonuses to the Workers of Production Associations and Enterprises for the Development, the Assimilation of the Production and the Delivery of Items of General Technology;

the Statute on the Additional Fee for Above-Standard Reserves of Commodity Stocks and Uninstalled Equipment, for Which Credit Has Not Been Extended by the Bank;

the Statute on the Standardized Method of the Distribution of the Profit of the Production Associations (Enterprises), Which Are Involved in the Conducting of the Economic Experiment;

the Statute on the Procedure of the Formation and Use of the Financial Reserve of Production Associations (Enterprises);

the Statute on the Planning of the Development of Science and Technology of the Ministry of the Electrical Equipment Industry When Conducting the Economic Experiment on the Broadening of the Rights of Production Associations (Enterprises) in Planning and Economic Activity and on the Increase of Their Responsibility for the Results of Work, and others.

We are citing the list of documents in connection with the fact that it will be useful to many ministries and departments, which are now preparing for the conducting of the economic experiment.

The work on the supplementing of the statutes on the administrations and departments of the central staff of the ministry and the Standard Statute on the All-Union Industrial Association (for the reflection in them of the necessary organizational changes and the questions of the improvement of the forms and methods of work with subordinate enterprises and production associations under the conditions of the experiment) is now being completed on the basis of a revised classifier of the functions of the ministry.

Moreover, the drafting of suggestions on the supplementing and amendment of the Statute on Deliveries of Products, the Special Terms of the Delivery of Cable Products and the Special Terms of the Delivery of Electrical Products is being completed.

The conducting of the experiment presumes a significant increase of the level of legal work. The most important condition of its proper organization is planning.

In accordance with the recommendations on the organization and planning of the work of the legal services of associations, enterprises and organizations of the Ministry of the Electrical Equipment Industry (the letter of the ministry of 21 March 1979), comprehensive plans of legal work are being compiled at the

enterprises (production associations). The legal services are implementing the measures, which are envisaged in them, independently or jointly with other subdivisions. The plans of the legal work of enterprises (production associations) are being coordinated with the plans of all-union industrial associations and the plans of the improvement of legal work in the sector, which are being drawn up by the Juridical Department With Board of Arbitration of the ministry. These plans should now reflect the basic directions of the activity of the legal service during the experiment. In the plans of legal work, which are being drafted, it is necessary to envisage first of all analytical work, and in particular the making of an analysis of the practice of the exercise of the rights which have been newly granted to enterprises (associations). This involves the obtaining of accurate and full information. Therefore, it is recommended to the legal services to indicate in the plans both the types of documents (if possible the existing forms of accounting and reporting) and the subdivisions which are responsible for submitting them.

The strengthening of socialist legality in the activity of the enterprise (association) when conducting the experiment is the main task of the legal services. The beginning of this work lies in the careful study of the enforceable enactments which specify the procedure of the conducting of the experiment by all the subdivisions, shops and sections and workers of the enterprise (association).

The duty of the legal services is to take an active part in the creation of the necessary conditions for this.

The conducting of the experiment required of the managerial personnel of enterprises and associations and other officials the more thorough study also of other previously promulgated enforceable enactments, on the proper application of which the results of the work of the enterprise (association) depend to a significant extent. These are first of all the statutes on the deliveries of products and goods, the terms of the delivery of products for export, the special terms of delivery, the instructions on the procedure of recording the fulfillment of the assignments and obligations on deliveries of products in conformity with concluded contracts in case of the evaluation of the activity and the economic stimulation of production, marketing and sales and trade associations (enterprises) and so forth.

Studies in the use of the enforceable enactments, which regulate the conditions of the conducting of the experiment, along the line of the institute for the increase of skills and economic training were organized for the workers of the central staff of the ministry and the administrations of all-union industrial associations, the managerial personnel of enterprises (associations), the directors of economic and financial services, the division of labor and wages and others.

The monitoring of the implementation of the USSR Law on Labor Collectives and the Increase of Their Role in the Management of Enterprises, Institutions and Organizations, as well as Decree No 744 of the CPSU Central Committee, the USSR Council of Ministers and the All-Union Central Council of Trade Unions of 28 July 1983 "On the Intensification of the Work on the Tightening Up of Socialist Labor Discipline" and Decree No 745 of the USSR Council of Ministers

and the All-Union Central Council of Trade Unions of 28 July 1983 "On Additional Measures on the Tightening Up of Labor Discipline" hold a special place in the conditions of the economic experiment.

The results of the work of the legal services on the tightening up of labor discipline at the enterprise and association depend on how systematically and purposefully it is performed. It can be recommended to the legal services to analyze systematically the effectiveness of the measures of responsibility, which are being used, including the measures of material liability. The questions of the reliability of the accounting of violations of labor discipline and losses of working time, the correctness of the use of the wage fund and the achieved saving should be in the field of view of the legal service. The legal service needs to perform such work together with the economic planning division and the division of labor and wages.

The broadening of the rights of labor collectives in the management of the enterprise (association) and the legal guarantees should find clear reflection in the collective contracts, in the formulation of which the legal services take an active part.

The assurance of legality in the activity of the enterprise (association) is carried out in two directions: the checking of the conformity of local enforceable enactments to the prevailing legislation and the monitoring of their observance, as well as the enforceable enactments which regulate the basic conditions of the conducting of the experiment by all subdivisions and workers. Moreover, the legal services should be enlisted in the drawing up of the local enactment from the very start, since only at this stage of the work is it possible to envisage the answers to the questions which may arise in practice.

For example, the proper exercise of the rights, which have been granted to production associations and enterprises in the area of the formation and expenditure of funds, depends on how clearly these questions are reflected in the statutes on the stimulation fund, the unified fund and financial reserves and on the procedure of the expenditure of the assets which are allocated by superior organs.

The legal service should help the management of the enterprise (association) in the posing of questions about the repeal of the decisions of superior organs of economic management, if these decisions restrict the rights of production associations and enterprises. Unfortunately, in work practice cases of this sort are not isolated.

However, the legal service cannot undertake anything in instances of numerous instructions of the organs, which plan and distribute products, on advancing the dates of the delivery of electrical products. Such instructions create serious difficulties for production, since they frequently concern not series-produced, but custom-made or single-design equipment and do not settle the questions, at the expense of which of the recipients is the advancing of delivery, as well as the supply of material and technical resources carried out.

Under the conditions of the experiment the evaluation of the activity of enterprises and associations is being carried out subject to the fulfillment of the obligations in accordance with the delivery contracts on the basis of the products list (assortment), of the proper quality and on the agreed dates.

Constant work on the broadening of the application of legal means for the improvement of economic activity and the improvement of contractual relations, which has yielded positive results, is being formed in the system of the ministry. However, the introduction of the making of deliveries in accordance with contracts as the basic evaluation indicator of the economic activity of the production associations and enterprises, which are operating under the conditions of the experiment, requires even more active and purposeful work in this area. It can be recommended to the legal services of production associations and enterprises to take part in the elaboration jointly with other subdivisions of additional measures on the assurance of timely and full deliveries in accordance with contracts and on the observance of priorities and schedules of shipments, as well as to complete the work on the introduction of the delivery control system, which is envisaged by Order No 467 of the ministry of 8 August 1979, having directed special attention to:

the need for the unconditional fulfillment of the requirements of sectorial standard OST 16.0800.590-78 "Economic Contracts. The Procedure of Concluding Economic Contracts and the Organization of the Monitoring of the Fulfillment of Contractual Obligations";

the further development and improvement of the system of internal cost accounting, the application of property sanctions to the structural subdivisions of enterprises for the untimely production of parts, assemblies and so forth;

the mechanization of the accounting and checking of the fulfillment of economic contracts at the associations and enterprises, which have computer technology or are served by computer centers;

the further improvement of material stimulation for the fulfillment of the assignments and obligations on deliveries of products to specific users on the set dates, of the agreed products list and proper quality.

In conformity with Decree No 659 of the CPSU Central Committee and the USSR Council of Ministers of 14 July 1983 the annual plans of production associations and enterprises are formed on the basis of the assignments and economic standards of the five-year plan, as well as the economic contracts between the suppliers and users of products. The increase of the role of economic contracts in planning requires the radical improvement of contractual work. This is the analysis of not only the quality of the concluded contracts on the basis of arbitration practice, claim materials and the data on the progress of their fulfillment, but also the drafts of the technical, industrial and financial plans, which have been drawn up by the economic planning services (how thoroughly the terms of the concluded contracts are reflected in them).

Under the conditions of the economic experiment claim and action work, which directly influences the results of the economic activity of the production association and enterprise, also requires special attention. For the increase of its level the sectorial standard "Claim and Action Work. The Procedure of Organization and Conducting," which establishes the procedure of the organization and conducting of claim and action work at associations and enterprises, the bases of liability and the lodging of claims and actions for the violation of individual types of economic contractual obligations and the standardized forms of documents, which are prepared when carrying out claim and action work, has been put into effect in place of the instructions previously in effect.

Many other questions, to which we have attempted to give answers in the detailed procedural recommendations, which were prepared by the Department of Economic and Legal Research of the All-Union Scientific Research Institute of Information and Technical and Economic Research in Electrical Engineering jointly with the chairs of civil law, constitutional law and Soviet construction of the Law Faculty of Moscow State University, also arose in the organization of the legal work, which is being performed by the legal service under the conditions of the economic experiment.

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## RESOURCE UTILIZATION AND SUPPLY

### GOSPLAN OFFICIAL PROPOSES MEASURES TO IMPROVE SUPPLY

Moscow PLANOVYE KHOZYAYSTVO in Russian No 7, Jul 84 pp 73-81

[Article by A. Vaskin, deputy director of the Scientific Research Institute of the Economics and Organization of Material-Technical Supply in USSR Gosplan: "Deliveries of Products and the Economic Management Mechanism"]

[Text] General Secretary K. U. Chernenko of the CPSU Central Committee emphasized the necessity of reorganizing the system of economic management and the whole economic mechanism at the February (1984) Plenum of the CPSU Central Committee. One of the pressing tasks of the economic mechanism is the arrangement of effective relationships between all the participants in the production process, particularly in the interproduction exchange of the products of labor in the form of deliveries of these or other types of products.

The further division of social labor and the development of economic ties strengthen the dependence of the operations of each production link on combined production links and on the on-time delivery of the necessary material resources by them. This explains that great attention which has recently been given to strengthening discipline with respect to deliveries. The accomplishment of delivery plans for products intended for production-technical purposes according to a list (assortment) and within the time limits specified by the concluded contracts (orders) is one of the most important criteria for evaluating the economic work of production associations (enterprises).

In the resolution of the CPSU Central Committee and the USSR Council of Ministers "On serious deficiencies in the observance of contractual obligations with respect to product deliveries and increasing the responsibility of the ministries, departments, and enterprises in this matter" it was noted that the observance of contractual obligations with respect to product deliveries is one of the decisive conditions of the accomplishment of the course of action adopted by the party for the intensive development of the economy.

The results of the efforts of industry in 1983 and in the first quarter of 1984 attest to a definite improvement in discipline with respect to deliveries of products intended for a production-technical purposes. At the same time, there is a need to resolve a number of problems in this area. The first among them is the planning of deliveries.



In order that the accomplishment of deliveries becomes the primary criterion for evaluating the work of sectorial ministries, production collectives and their managers, the introduction of a special "volume of deliveries" indicator seems to be expedient. At the present time this indicator is not included in the plans of ministries, associations, and manufacturing enterprises. The production indicators of basic forms of products in physical terms and of the volume of deliveries of basic forms of material-technical resources are fixed by it in the five-year plans of economic and social development in accordance with the resolution of the CPSU Central Committee and the USSR Council of Ministers "On improving planning and strengthening the effect of the economic mechanism on improving the efficiency of production and work quality". In the annual plans they are determined according to a more extensive products list. The volume of disposable output is fixed for the associations and enterprises for the purpose of evaluating the accomplishment of obligations with respect to deliveries of products intended for production purposes according to a products list (in a product assortment) originating from concluded contracts and schedule-orders for the manufacture of export products.

The output indicator of production in a planning period depicts the output volumes of these or other types of raw material, materials, machinery, and so on, but it does not determine the volume of deliveries of any given product to other associations and enterprises. Production volume can deviate from the volume of deliveries depending on the amount of reserves of finished and semi-finished products and the utilization of output for the internal needs of the producing association (enterprise) (acquisition of components, capital investments, and so on), and, therefore, it cannot replace the indicator for the volume of delivered output, which expresses interproduction and intersectorial relations and proportions.

The indicator of the volume of disposable output also cannot be used for determining the planned volume of deliveries inasmuch as it constitutes a summary quantity, which not only includes the delivery of output on the basis of planned actions but even other types of sales of manufactured articles, jobs, services, and so on.

As far as the indicator for the volume of deliveries of material-technical resources necessary for the accomplishment of a plan is concerned, it determines the magnitude of those resources which should be received by a ministry, association, and enterprise for the accomplishment of the planned task assigned to it. The given indicator depicts the supply of an economic link with material resources and not its obligation to supply other production links with its own output.

Thus, not one of the existing volume indicators and the indicators for material-technical supply can reflect the task with respect to deliveries of output in the plans established for the ministries and associations (enterprises). Therefore, it seems imperative to introduce such an indicator which will depict the basic work of all the economic links and to transform its fulfillment into the primary criterion for evaluating their work.

The necessity of introducing an indicator for the volume of deliveries into economic practice is receiving an increasingly greater degree of acceptance\*.

It is expedient to accomplish the planning of the indicator for the volume of deliveries in two stages. In the first stage it is necessary to establish control figures for the volume of deliveries while proceeding from the existing documents of production associations (enterprises) and also from the lists of products for production purposes subject to manufacture and delivery as established for each of them by the ministries together with USSR Gosstab. Inasmuch as there is still insufficient data on the selection of consumer demand in this stage, the control figures for the volume of deliveries should be determined while taking into account the formation of opportunities in associations and enterprises to develop reserve capacities for the complete satisfaction of consumer orders from the point of view of a products list.

The first stage is completed by a coordination of the control figures for the volume of deliveries with the soyuzglavsnabsbyts [main administrations of materials and equipment supply and marketing] in USSR Gosstab (or with corresponding departmental marketing organs in those instances when output is distributed and sold by them), which organize the attachment of consumers (or consumer districts) to associations and manufacturing enterprises.

In the second stage the associations and manufacturing enterprises will receive an extensive selection of orders from supply and marketing organizations and consumers, which are converted into direct, long-term economic ties, and schedule-orders from foreign trade establishments and it is on this basis that they will determine the indicator for the volume of deliveries and its selection, which is developed from contracts with consumers..

The improvement of marketing work in industry is an important task together with the establishment of a new planning indicator. There is the opinion that the main thing here is to determine what role the main administrations of materials and equipment supply and marketing will play in the organization structure at the administrative level, that is, whether these main administrations should be a part of the overall state supply system or a part of the ministries producing the output. However, this question is not a key question as far as the organization of marketing work in industry is concerned. Moreover, the actual problem is substituted for an imaginary one inasmuch as the basic functions of the main administrations of materials and equipment supply and marketing are to distribute the material resources of USSR Gosstab's product list and to organize economic relations for all types of output except that being distributed by the ministries and departments. Both functions are of a national economic significance by their own nature and, therefore, they should not be within the scope of sectorial, but within the scope of governmental organs of administration.

As far as marketing work itself with respect to output intended for production-technical purposes is concerned, at the present stage of development in

\*See: PLANOVYE KHOZYAYSTVO, No 5, 1984, pp 38-46; MATERIAL'NO-TEKHNIЧЕСКОЕ SNABZENIYE, No 4, 1984, pp 16, 54.

the economy the distribution of material resources and the formation of economic relationships is not part of its responsibility. With respect to the traditional types of output being produced it should encompass the organization of deliveries according to contracts and orders, but with respect to new types of materials and industrial products, it should encompass a determination of possible areas and volumes of their application, introduction into industrial consumption. Both aspects of marketing work, having the satisfaction of industrial requirements as their purpose, presuppose an organic link between the marketing subdivisions of associations (enterprises) and their production subdivisions with a definite influence of the market on production.

Meanwhile, only a few sales offices of industrial enterprises and production associations occupy such a position. A considerable number of them only carry out registration-forwarding functions. Marketing work has not yet become an object of immediate attention on the part of the VPO [All-Union Production Association] and other links of production management. As a result, it is not the obligations regarding deliveries of output that determine the work of production subdivisions, but production dictates the amount of work sales offices must accomplish according to the fulfillment of contracts and orders.

Evidently, the role of the sales office in industry should be changed under current conditions. To be exact, they should program product-mix and calendar production plans while proceeding from concluded contracts and orders for the delivery of industrial products. Their demands, which reflect consumer needs, should become the rule for production links in the planning of the release of industrial output.

However, it would be incorrect to consider that production can be completely "built" on the fulfillment of actual orders from numerous consumers. The economics of production dictates the necessity of consolidating consignments with respect to the release of identical kinds of products. Under these conditions all the efforts of association (enterprise) sales offices to accomplish deliveries within the time limits stipulated by contracts and orders often turn out to be unsuccessful, particularly with respect to output in limited demand. It seems to us that in order to resolve this problem it is imperative for the associations and manufacturing enterprises to develop reserves of finished and semi-finished products, which will make it possible to accomplish deliveries regardless of time limits and consignment releases. At the present time, the level of such reserves can meet the accomplishment of this urgent task. Thus at the beginning of the current five-year plan the proportion of reserves of finished and semi-finished products in industry amounted to only 11.1 percent of the available working material supplies or 7 days with respect to the total volume of industrial output in 1981.

Meanwhile, the calculations that have been conducted point out the necessity of increasing these reserves to 15-16 days with respect to annual volumes of industrial production. Such a measure will allow enterprises and manufacturing associations to significantly improve the fulfillment of their obligations with respect to deliveries and to provide for the effective utilization of transport facilities with a simultaneous increase in production profitability.

A doubling of the reserves of finished and semi-finished products will not bring about an increase in aggregate material resources in the national economy. An increase in the frequency of deliveries will have a direct effect on the reduction of the necessary level of production reserves, and a more complete and timely fulfillment of obligations by the suppliers will improve the reliability of supply and, consequently, will create in the consumer a feeling of confidence in the actual possibility of conducting operations with less reserve stocks. The reliability of deliveries is the primary means of reducing the proportion of production reserves, accelerating their turnover, and reducing the reserve stock ratio of production on the whole.

The fulfillment of obligations by enterprises and manufacturing associations with respect to deliveries of output depends, to a great degree, on the system of economic levers, particularly on the stimulating role of prices. The accepted practice of price formation for output intended for production-technical purposes takes into the account the conditions of production and the consumption of raw material, materials, and manufactured articles. However, in the majority of cases the sum total of factors connected with the conditions of delivery is not given any attention in established wholesale prices: the overall size of an order from this or that consumer, the urgency attached to its fulfillment, consignments for simultaneous delivery, strictly fixed calendar limitations for unloading, and so on. In essence, today's price for manufactured output does not change as a result of the conditions of delivery. Meanwhile, these factors exert a considerable influence on the volume and operational complexity of enterprises and manufacturing associations with respect to the fulfillment of consumer orders, on which the economic position of the supplier often depends. At the same time the economic results of the work accomplished by the consumer also are, to a great degree, predetermined by the conditions of delivery, but the mechanism of price formation in effect does not take this circumstance into consideration.

Thus the fulfillment of small orders causes increased expenditures for the manufacturer with respect to the production and shipment of output, and the consumer receives an opportunity for the more efficient utilization of his own resources.

The promptness of delivered orders is also of considerable significance. With deliveries of goods in economical consignments and according to a coordinated schedule (especially according to direct, long-term relationships) the consumer is provided an opportunity to work with less production reserves while the manufacturer must maintain increased reserves of finished and semi-finished products. The expenditures in this instance on the formation and maintenance of reserves are changed inversely (although not equally) for the manufacturer and the consumer.

In our opinion, wholesale prices for output should take the conditions of its delivery into account while stimulating the satisfaction of the demands of the consumer, which are expedient from an economic point of view, and while impeding the fulfillment of those which can have a negative effect on the efficiency of social production. For this it is necessary to introduce into economic practice the differentiation of wholesale prices in a dependence on delivery

conditions after having utilized a detailed system of additional payments and discounts. With an order involving large consignments, in particular, the consumer should be granted a certain discount from the wholesale price, and with small orders he should compensate the manufacturer with a special additional payment for increased expenditures. It is expedient to introduce additional payments also for urgent delivery deadlines (at the request of the consumer) for deliveries in economical consignments, and for on-time deliveries.

There is already a certain amount of experience in this area. For example, a system of additional payments for the delivery of products in small consignments by manufacturing enterprises is in effect with respect to rolled ferrous metal products. As far as structural carbon steel is concerned, they have been established at a rate from 6 percent of the wholesale price (with an order ranging in volume from 10.1 to 20 tons per each type of sectional dimension) to 25 percent (with an order of 1 ton or less); from 10 percent (with an order of metal from 3.1 tons to 5 tons) to 40 percent (with an order of 0.5 tons or less) for tool carbon and ball bearing graded steel, and so on.

An analogous system of additional payments should be established in a centralized manner in other industrial sectors also under the condition that it will be counterbalanced with a system of discounts to be granted to the consumer when the proposed deliveries provide the manufacturer with preferential production and marketing conditions. It would also be expedient to grant the manufacturers and consumers of products that are in a direct, long-term economic relationships the right to independently (within certain limits) determine additional payments and discounts which reflect specific delivery conditions.

A differentiation of prices for output is only one of the directions being applied in the resolution of the problem of deliveries for the purpose of fulfilling small orders placed by consumers. Meanwhile, such orders make up the majority of orders and they are the ones that are not being satisfactorily fulfilled by the manufacturers. Here the decisive word belongs to the sector of material-technical supply. We share the opinion on the expediency of strengthening the intermediary role of the territorial organs of USSR Gosstab in the organization of deliveries, including their conversion into unified customers of products intended for production-technical purposes (except deliveries of designated and special equipment and deliveries according to direct, long-term economic ties)\*.

The organization of warehouse supply is the primary question. Therefore, the organization of deliveries of such output through the enterprises of the material-technical supply sector is the most urgent task. The rational organization of warehouse deliveries for enterprises with a small consumption volume will ensure: the efficient utilization of production capacities for manufacturers, the on-time fulfillment of obligations by them with respect to deliveries, the reduction of marketing costs at the expense of consolidating the orders of small consumers; improvement of transport capacity, a reduction of the main transport line operations at the expense of increasing the proportion of

\*See: PLANOVOYE KHOZYAYSTVO No 5, 1984, pp 38-46.

large-tonnage freight shipments; a reduction of the number of necessary combined reserves of manufactured output by means of a greater acceleration of the turnover of reserves of finished and semi-finished products for the manufacturer and the consumer in comparison with the growth of commodity reserves in warehouses of the supply sector; a reduction of the need for warehouse capacity and capital investments for their development by means of a greater turnover of safeguarded material values; a savings of material resources for the consumer and a reduction of the prime cost of output produced by them by means of obtaining material resources in the necessary selection and in a form ready for industrial consumption.

The organs of material-technical supply are giving considerable attention to their organization while taking the economic effectiveness of warehouse deliveries into consideration. The rapid rate of their growth attests to this. Thus in the 9th and 10th five-year plans with a 1.7-fold growth rate of the gross social product (in prices of corresponding years) the sales volumes of output from warehouses of the supply and sales organizations almost doubled. Nevertheless, the achieved level of warehouse supply is insufficient, and this form of providing industry with materials is in need of accelerated development.

Above all, it is imperative, in our view, to provide an essential increase in the volume of warehouse supply. In 1981 the sales of products intended for production-technical purposes from warehouses and through the stores of the supply and marketing organizations of USSR Gosstab, the Union ministries, and departments was 4.2 percent in relationship to the gross social product created in industry and construction. Meanwhile, in industry alone two-thirds of the enterprises expend material resources in quantities which could be economically and advantageously supplied by warehouse deliveries alone. The proportion of such enterprises in the total material consumption of industry amounts to approximately 7 percent. Even more significant is the proportion of small consumers in other economic sectors served by the organs of material-technical supply. Such a situation will be preserved even in the future inasmuch as the expenditure of raw material and materials will be reduced under the influence of the growing rate of scientific-technical progress in the consuming sectors, and simultaneously released and transported consignments will be increased as a result of the increasing capacity of assembly units and the freight carrying capacity of the means of transport.

Therefore, the manufacturers and consumers of output need such a volume of warehouse deliveries whose share in relationship to the gross social product of industry and construction would be no less than 7 percent. In this instance the additional annual effect just by means of accelerating the turnover of combined material reserves can amount to approximately 1.5 billion rubles. As a consequence, this effect increases considerably with an increase in production and consumption volumes. At the same time, this can result in large losses to the economy if the necessary growth of warehouse delivery volumes is not provided (particularly in connection with an uninterrupted increase in the freight carrying capacity of transport facilities and an increase in direct shipment quotas that inevitably accompanies it. For example, in the last 10 years alone these quotas have increased 2.9—4.5-fold with respect to the majority of the types of rolled ferrous and nonferrous metals).

The growth of warehouse supply volumes should be accomplished differentially with respect to individual types of output. Expensive materials and industrial products now predominate in the structure of warehouse deliveries while timber products, cement, and certain other construction materials are delivered almost entirely direct without intermediate handling. Meanwhile, the proportion of small consumption with respect to materials sold at comparatively low prices is not less than its level in expensive products. Calculations conducted in NIIMS [Scientific-Research Institute of the Economics and Organization of Material-Technical Supply] demonstrate that rational volumes of warehouse deliveries from enterprises should be greater than what has been achieved in the system of USSR Gosstab: 2.5—3 times greater with respect to timber products, 5.5—6 times greater with respect to cement.

It seems imperative to improve the quality of warehouse supply. First of all, this is connected with an expansion of the selection of output delivered from the warehouses, the organization of deliveries in economical consignments and their centralized shipping to consumers, and an increase in deliveries with a maximum degree of readiness for the industrial consumer.

At the present time one of the fundamental reasons for the uneconomical expenditure of material resources obtained by consumers from the warehouses of material-technical supply is the limited selection of products. The consumers are forced to make economically unjustified substitutions for products they need. As a result, there is an over-expenditure of resources, which, for example, on the average amounts to approximately 20 percent calculated per ton of substituted products in warehouse deliveries of rolled ferrous metals and steel pipes.

A radical solution to this problem will be facilitated by the establishment of a system of intrasectorial cooperation of associations (enterprises) with respect to deliveries on the basis of organizing an intra-system warehouse turnover. Under the conditions of this system the sorting associations (enterprises) of material-technical supply, found, as a rule, in the vicinity of the manufacturer, accumulate small consignments of orders from supply organs, located in the vicinity of the consumer. The sorting associations (enterprises) send the large consignments of orders received from the manufacturers to the warehouses of the supply organs located in the areas of consumption in quantities that are realistically necessary for supplying consumers.

The experience available in USSR Gosstab with respect to the functioning of such a system has demonstrated the high degree of its effectiveness. Thus with the organization of inter-regional deliveries of ferrous metals through Zapsibmetallobyt [Western Siberian Administration for the Marketing of Ferrous Metals] the selection of metal products was expanded significantly in the warehouses of the territorial supply organs in Siberia and the Far East. Orders have been consolidated for the delivery of products shipped by the territorial organs of supply to the manufacturing enterprises. On the whole, the calculated economic effect is about 7 million rubles per year.

However, the achieved level of intra-system warehouse turnover is insufficient for providing consumers with products in the selection required. In 1981 it was only 5.1 percent in the supply and marketing organizations of USSR Gosstab

and the Union ministries and department in comparison with the volume of sales from warehouses and through the stores. The proportion of such turnover within the system of USSR Gosplan is especially low -- only 2.6 percent. At the same time the organizations of USSR Gosplan ship a considerable portion of products sold from their own warehouses to the warehouses of departmental supply organizations (departmental organizations receive more than 50 percent of the products sold from warehouses from enterprises and associations of the territorial supply organs of USSR Gosplan). Therefore, the development of an extensive network of sorting enterprises in the overall state system of supply is an urgent task.

It is evident that additional capital investments are necessary for increasing warehouse supply volumes and improving its quality. Their source can become the savings obtained in the sectors being serviced by material-technical supply as a result of the accelerated turnover of reserves and the improvement in the utilization of all resources, including the production capacities of the manufacturer. According to our calculations, the economic effect from the reduction of the need for production reserves in the consuming sectors alone is 120,00 rubles per 1 million rubles of increase in warehouse deliveries and 20,000 rubles from the reduction of the need for capital investments for their storage.

In connection with this, it seems expedient to change the strategy of the planning of available material assets and capital investments in warehouse management while primarily directing them into the sector of material-technical supply. The proportional participation of the servicing sectors, particularly the manufacturers of output, can play an important role here.

At the same time, resources aimed at the development of warehouse deliveries should be utilized with maximum effectiveness. It is imperative to overcome the departmental lack of coordination in the supply system, which results in a duplication of small supply and marketing enterprises, a dispersion of commodity reserves among many warehouses and, consequently, in an insufficient mobility of reserve stocks in the supply sector. Thus in 1980 a third of the commodity reserves of the supply sector was located in small warehouses of the departmental supply organizations. Moreover, the turnover of commodity reserves within the system of USSR Gosplan was 60.2 days and in the USSR Goskomselkhoztekhnika [State Committee of Agricultural Equipment Associations] it was 65.5 days while it was equivalent to 100 days in the supply organs of the Union and republic ministries and departments. Such a dispersed situation with respect to reserves reduces the effectiveness of the utilization of capital investments intended for the development of the warehouse economy of supply organs. The economic expediency of eliminating departmental organizations which duplicate the work of intersectorial supply systems is evident.

The approach to the distribution of capital investments should be changed simultaneously within the overall state supply system also. If so far primary attention has been given to the creation of necessary conditions for satisfying the demands of consumers in a given region with the expansion of existing or organization of new enterprises engaged in the delivery of production, it now seems rational to place the emphasis on the development of large sorting



and distribution enterprises of a specialized or general-purpose nature in areas with a concentration of product manufacturers. At the same time, a material-technical base of supply organs should be developed in consumer areas for the preparation of products for industrial consumption, the rental of technical means, and the satisfaction of small-consignment demand.

Improving the quality of warehouse deliveries will, first of all, depend on the active work of the supply and marketing organizations themselves. It is especially important to radically change the attitudes of the manufacturing enterprises toward the fulfillment of orders with respect to the deliveries of products to warehouses of the supply and marketing organizations. Such orders should be fulfilled not only with respect to quantity, but also with respect to the selection and time limits stipulated by the contracts.

It is imperative to increase the financial interest of the supply and marketing organizations in the first place by means of establishing a direct dependence between their incomes and the quality of service to the consumer. The warehouse mark-ups in effect are not differentiated as applied to the conditions of delivery. Therefore, the supply and marketing organizations have no financial interest in supplying consumers within the time limits stipulated by the contracts, in breaking up consignments into smaller units with consideration given to current demand, and so on. A differentiation of warehouse mark-ups would serve as an effective economic lever for meeting the justified demands of consumers and for improving the final results of the work of the enterprises and organizations of the material-technical supply sector, on the whole.

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## RESOURCE UTILIZATION AND SUPPLY

### GOSSNAB OFFICIALS COMMENT ON FIRST RESULTS OF EXPERIMENT

Moscow KHOZYAYSTVO I PRAVO in Russian No 7, Jul 84 pp 3-8

[Article by Deputy Chairman of the USSR State Committee for Material and Technical Supply B. Yakovlev and M. Bass, chief of the Economic Management Department of the USSR State Committee for Material and Technical Supply: "The First Results Have Been Tallied"]

[Text] In May the results of the work of industry for 4 months of this year were tallied. For the production associations and enterprises of the five ministries, which are participating in the large-scale economic experiment, as well as material and technical supply organs this is a serious examination.

As the analysis shows, the enterprises, at which the experiment is under way, improved the work as compared with the same period last year. The increase of commodity production was significant, its production cost decreased, labor productivity increased.

It is especially important that the volume of product sales with allowance made for the fulfillment of contracts as compared with last year increased, the number of enterprises, which are not meeting the contractual obligations, is decreasing. In particular, the fact that the most important indicators--the fulfillment of the plan in the strictly given products list in accordance with contracts, the increase of labor productivity and the profit, the decrease of the product cost and the increase of its quality--became the guideline for their labor collectives, contributed to this. The introduction of stable standards, on the basis of which the incentive funds are formed, also played an important role.

It is also of no small importance that the deliveries of raw materials and materials to the associations and enterprises, which are participating in the economic experiment, were carried out for the most part within the limit of the funds allocated to them.

USSR Gosplan [State Planning Committee] USSR Gossnab [State Committee for Material and Technical Supply] and their organs locally jointly with the ministries took several additional steps on the timely delivery of the plans of material and technical supply and on the conclusion of contracts for the delivery of products.

USSR Gossnab issued a number of documents and procedural documents, which broaden the rights of territorial material and technical supply organs and increase their responsibility for the timely and complete supply of the enterprises, which are participating in the experiment, with material resources in complete conformity with the allocated funds.

The ministries and material and technical supply organs made prompt decisions on all the arising questions. For this working groups for the examination of the current problems connected with the continuous supply of the economic organs, which are taking part in the experiment, were set up in USSR Gosplan, the all-union main administrations of supply and sales, the Gossnabs of the union republics and the main territorial administrations.

The enterprises of the Ministry of Heavy and Transport Machine Building during January-April 1984 fulfilled the plan on the total volume of product sales by 102 percent, while with allowance made for the obligations on contracts by nearly 100 percent as against 97.6 percent during the same period last year. This is a good indicator. It should be specially noted that a number of leading associations of the sector fulfilled the plan by 100 percent. Thus, the enterprises and associations of the All-Union Diesel Engine Construction and Track-Laying Machine Building Industrial Association, the All-Union Means of Mechanization and Production of Instruments Industrial Association, the Novokramatorskiy mashinostroitel'nyy zavod and Zhdanovtyazhmash production associations and others completely fulfilled the plan of deliveries in accordance with contracts.

As a whole for the ministry labor productivity increased. The entire increase of industrial output was provided by the increase of labor productivity.

As compared with 4 months of last year the number of enterprises, which did not fulfill the plan of deliveries in accordance with contracts, decreased for the sector from 55 to 11. However, this is also alarming. For example, the Dnepropetrovsk Plant of Metallurgical Equipment fulfilled by the plan by 97.9 percent. Blast furnace, steel smelting and rolling equipment, spare parts for metallurgical equipment and reducers failed to be delivered to users.

The Aleksandriya Plant of Materials Handling Equipment imeni 60-letiya Velikoy Otkyabr'skoy sotsialisticheskoy revolyutsii fulfilled the plan by 96.8 percent and failed to deliver to users 6 overhead cranes and 1 gantry crane. Other enterprises failed to deliver spare parts for diesel engines, turbocompressors and other products.

The analysis showed that the reasons for the nonfulfillment of the plans are mainly of an intraplant nature. We would like to hope that the ministry and the managers of the enterprises will take the necessary steps for the elimination of the identified shortcomings.

The enterprises of the Ministry of the Electrical Equipment Industry fulfilled the plan of product sales with allowance made for concluded contracts by

99 percent as against 96.6 percent in January-April 1983. There is an increase of the standard net output and commodity production.

In spite of the improvement of the indicator of the fulfillment of the sales plan with allowance made for contracts, with respect to a significant number of controllable items the plan is still not being fulfilled, although in April the situation improves somewhat.

Among those which did not fulfill the plan of deliveries in accordance with contracts are such enterprises as the Dzhizak Battery Plant, the Leningrad Istoschnik Production Association, the Tallinn Vol'ta Plant and others.

Diesel locomotive batteries, electric locomotive batteries and heavy-gauge wires failed to be delivered to the enterprises of the Ministry of Railways, while armored cable and bare wire failed to be delivered to the enterprises of the Ministry of Power and Electrification.

A certain negative trend appeared in the process of fulfilling the plan of supply this year in connection with the introduction of the evaluation of the activity of enterprises with allowance made for the fulfillment of contracts. Some enterprises of the sector did not conclude contracts for the volume of the production plan, which was reported to them, and the orders for the delivery of products, which were issued by the all-union main administrations of supply and sales, attempting in this way to ensure the 100-percent fulfillment of the obligations in accordance with the concluded contracts.

Given the nonfulfillment of the set production plan several enterprises, such as the Sibelektromotor Plant (Tomsk), the Kuzbasselektromotor Plant (Kemerovo) and others, without having concluded contracts in conformity with the orders for the delivery of products, which were issued to them, reported during the first quarter of 1984 the fulfillment of the plan of deliveries. In this connection suggestions on the regulation of reporting and the elimination of this shortcoming are now being prepared.

The enterprises of the Ukrainian SSR Ministry of the Food Industry in 4 months of 1984 fulfilled the plan of product sales slightly better than during the same period last year. The deliveries with allowance made for the obligations in accordance with contracts were made in full by all enterprises. Labor productivity increased. The plan on the output of the basic types of food products was exceeded. As compared with the corresponding period last year 1.5-fold more sugar was produced. The production of margarine products and confectionary items increased.

The delivery of rolled ferrous metals, rolled aluminum, aluminum foil, cement, instruments, varnishes and paints and other products to the ministry was ensured in advance. At the same time a certain amount of caustic soda and calcium carbide failed to be delivered.

The enterprises of the Belorussian SSR Ministry of Light Industry during January-April of this year fulfilled the plan of product sales by a few percent more than during the same period last year. The deliveries with allowance made for the fulfillment of obligations in accordance with contracts

were ensured almost in full. Labor productivity (with respect to the indicator of the standard net output) increased by several percent, including with respect to silk fabrics--11.6 percent, woolen fabrics--7 percent, cotton fabrics--6.2 percent, leather footwear--3.8 percent. Products of the highest quality category worth 354 million rubles, or 24.3 percent more than during the corresponding period last year were produced. The Belorussian SSR Ministry of Light Industry does not have any complaints with respect to questions of the material and technical supply of subordinate enterprises.

The enterprises of the Lithuanian SSR Ministry of Local Industry during January-April 1984 fulfilled the plan of product sales. The plan of deliveries in accordance with contracts and orders was fulfilled by all the enterprises of the republic Ministry of Local Industry by 100 percent. While in 1983 during the same period 7 enterprises did not fulfill the plan of deliveries in accordance with contracts by the total amount of 914,000 rubles.

The plan of deliveries of material resources to enterprises of the sector in 4 months of 1984 in accordance with the controllable products list was fulfilled. The failure of the Yenakiyevo Metallurgical Plant to deliver 476 tons of structural steel constitutes an exception.

In the system of the planned management of social production cost accounting, economic levers and stimuli are playing a greater and greater role. The thrust of cost accounting is aimed today at the end national economic results and the increase of the efficiency of the use of all resources and product quality. Here the economic interest and responsibility of all economic organs for the fulfillment of contractual obligations is actually increasing.

The fact the General Secretary of the CPSU Central Committee and Chairman of the Presidium of the USSR Supreme Soviet Comrade K. U. Chernenko at a meeting with the collective of the Moscow Serp i molot Plant indicated as one of the substantial shortcomings the nonfulfillment by the plant of contractual obligations on deliveries of products, testifies to how important this question is. "This," he said, "gives rise to irregularities in the work of other collectives. You should not let your fellow workers down, and the situation must be corrected resolutely."

It goes without saying that these instructions apply not only to the Serp i molot Plant.

The executives of the ministries and enterprises, which are participating in the economic experiment, are expressing satisfaction with the organization of material and technical supply as a whole.

In this connection the opinion expressed by Minister of Heavy and Transport Machine Building S. A. Afanas'yev is interesting. In the article "The First Steps" (PRAVDA, 3 May 1984) he writes: "Up to now many managers of our enterprises and all-union industrial associations have justified their poor work by unsatisfactory material and technical supply. But frequently they simply used this as a cover. The USSR Council of Ministers, USSR Gosplan and USSR Gosstab have given them much assistance in supply, which, undoubtedly, is having a positive effect on the results of the work of the sector.

"Now, when this problem has basically been solved, our own shortcomings in the planning and organization of production, in the use of equipment, the introduction of new equipment and in other aspects of activity have come to light."

The fact that the ministries and enterprises, which are participating in the experiment, have strengthened the services which deal with the drawing up of contracts, also played a positive role.

Of course, one should not get carried away by what has been achieved. Substantial shortcomings still exist in the activity of the industrial enterprises, which are operating under the new conditions, and material and technical supply organs. The enterprises do not always draw up the documents correctly when concluding contracts for the delivery of products.

Many enterprises are dragging out the work on the conclusion of economic contracts and are striving to ship items which are already in stock from last year. In this way the percentage fulfillment of the contracts is overstated.

During the experiment other problems, which require urgent solution, have also been identified--they are the shortening of the time of the drafting of the annual plans, the improvement of the practice of exchanging surplus and unused physical assets, the creation of nondecreasing (insurance) working stocks at enterprises for deliveries of products of the system of USSR Gosplan and the improvement of direct long-term economic ties.

It is envisaged by the decrees of the USSR Government on the conducting of the experiment in the Ministry of Heavy and Transport Machine Building and the Lithuanian SSR Ministry of Local Industry<sup>1</sup> to carry out the drafting and approval of the annual plans of production and supply, as well as to deliver the funds for material and technical resources to the enterprises and organizations, which are subordinate to these ministries, on dates which eliminate the need for the issuing in advance of schedule orders for products. This, incidentally, is also urgent for the enterprises of the other ministries, which are taking part in the economic experiment.

USSR Gosplan should issue the orders for the delivery of products no later than 2 months before the start of the year being planned. But given the formed practice of drafting state plans the organs of USSR Gosplan do not have the opportunity to complete in good time the drawing up of the delivery orders, while basing themselves on the approved material balances and plans of the distribution of products.

Ministries, departments, associations and enterprises should be interested to the utmost in the setting of earlier dates of the delivery to them of the plans of material and technical supply and the orders for the delivery of products.

For the purposes of the assurance of the timely conclusion of contracts for the delivery of products and the stability of economic ties, as well as for the continuous supply of enterprises with material resources, especially

during the first quarter and half of the year, the procedure of issuing schedule orders for products should be changed somewhat, starting with the drafting of the plan for 1985. It is expedient that USSR Gosplan would send to USSR Gossnab, the ministries and departments tentative plans of the distribution of products of mass and series production at earlier dates. With respect to individual types of items (of heavy, chemical and petroleum machine building) similar plans of distribution should be sent by USSR Gosplan, just as before, prior to 15 March.

In this case USSR Gossnab could ensure on the dates, which are set by the Statute on Deliveries of Products or the special terms of deliveries, the preliminary issuing of schedule orders for products for the year being planned, including with respect to the first and second quarters. The adoption of this suggestion would enable USSR Gosplan, USSR Gossnab, the ministries and departments to make the necessary refinements in the data on the volumes of the production and distribution of products, as well as the planning certificates for delivery with allowance made for the approved state plan--only with respect to the second half of the year.

The question of drawing up a nominal list of products, which are to be produced and delivered (Paragraph 18 of the Statute on Deliveries of Products), for a 5-year period should also be settled. For the purpose of creating for associations and enterprises the optimum conditions for the timely conclusion of economic contracts and the preproduction of custom production it is expedient that USSR Gosplan, beginning with the preparation of the draft of the plan for the 12th Five-Year Plan, would settle the question of drawing up such a list for a 5-year period with a breakdown of the assignments by years.

The question of improving the practice of the exchange of surplus and unused physical assets is also very important. In spite of the steps being taken on the commitment of above-standard and unused physical assets to the economic turnover, their amount is not decreasing.

Today, as is known, enterprises and organizations have the right to carry out exchange only within one type of raw materials, materials and items and only with the permission of the main territorial administration of USSR Gossnab, as well as their superior organ. Such a restriction creates difficulties in the shifting of material resources and is not conducive to their efficient use.

Suggestions on the broadening of the rights of enterprises, associations and organizations in the conducting of exchange operations in products for production engineering purposes have already been prepared for the more extensive commitment of above-standard and unused balances of materials to the economic turnover and for their prompt allocation for the meeting of national economic needs.

The executives of ministries and departments are posing the question of granting to users the right to exchange similar types of raw materials, materials and items in accordance with the agreement of the sides with the subsequent notification of this of the main territorial administrations of USSR Gossnab and the superior organ which distributes the products. As to

different types of raw materials, materials and items, the suggestion is being made that their exchange would be carried out with the permission of the organs of USSR Gosplan with the subsequent notification of the superior organization.

Such a procedure of carrying out exchange operations would contribute significantly to the commitment of above-standard and unused resources to the economic turnover.

As we see, a rather good start has been made this year. But this is only the beginning. The party and government require of all of us the more efficient use of the enormous production potential which has been accumulated by the country.

It is a question of the complete utilization of capacities, the determined combating of losses and the careful use of working time, in order to ensure the unconditional fulfillment of the plan assignments and obligations for 1984 and the five-year plan as a whole.

In this connection the competition, which was launched in industry, including at the enterprises participating in the economic experiment, for the above-plan percent increase of labor productivity and the additional, 0.5-percent decrease of the product cost has acquired enormous importance.

An important condition of the intensity of production is the improvement of planning and the system of management. In recent times much work has been performed in this direction. Measures have been elaborated on the increase of the responsibility of ministries, departments and enterprises for the observance of contractual obligations and the decrease of the level of material expenditures, on the strengthening of economic levers in the acceleration of scientific and technical progress and on the assurance of the leading growth of labor productivity as compared with the growth of wages.

At the recent CPSU Central Committee plenums it was specially noted that now it is important to maintain the gathered speed and the overall aim at the practical accomplishment of tasks, to develop the positive trends in the economy more actively and to lend them a stable nature.

In a speech at a meeting with workers of the staff of the party Central Committee Comrade Konstantin Ustinovich Chernenko noted that the closest attention will be devoted by the highest organs of the party and state, as always, to the development of the economy. Today it is necessary to work in such a way as to ensure not only the fulfillment, but also the exceeding of the assignments which have been established for 1984. For this it is necessary to use all the resources of the national economy and to pull up the lagging sections in time. Organization and discipline should be steadily increased, the main reserves--the acceleration of scientific and technical progress, the assurance of the complete utilization of production capacities, the tightening up of the policy of economy everywhere--should be used more actively.



All this also fully applies to the system of material and technical supply. The workers of USSR Gosnab and its organs locally will analyze more closely the practice of the material and technical supply of enterprises under the conditions of the experiment, will disseminate extensively everything new and progressive and will take decisive steps on the eradication of shortcomings and the factors giving rise to them.

Under the new conditions one must not forget about the need for the further improvement of the work on the economy and efficient use of material resources, on the decrease of the consumption of resources and the rates of consumption of raw materials and materials and on the increase of the output of items which conform to the best world standards. The experiment being conducted requires that the closest attention would be devoted to these questions.

In recent times we have frequently had occasion to hear suggestions on the possibility and advisability of extending the conditions of the economic experiment to a number of other sectors of the national economy. In this connection let us note that, in addition to the enterprises of the five ministries, the experiment is also be conducted at the Moskovskiy mashinostroitel'nyy zavod imeni M. I. Kalinin Production Association of the Ministry of Construction, Road and Municipal Machine Building, the Moscow Manometr Production Association of the Ministry of Instrument Making, Automation Equipment and Control Systems and the Moscow Cotton Factory imeni M. V. Frunze of the RSFSR Ministry of the Textile Industry.

The decree of the CPSU Central Committee and the USSR Council of Ministers "On Measures on the Broadening of the Economic Independence and the Increase of the Interest of Production Associations (Enterprises) of Personal Service in the More Complete Meeting of the Needs of the Population for Services" was adopted this year. Starting on 1 July 1984 the corresponding experiment will be conducted in the Bashkir ASSR and Komi ASSR ministries of consumer services and the consumer services administrations of the Altay Kray Soviet Executive Committee and the Astrakhan, Ivanovo, Kemerovo, Saratov and Yaroslavl oblast soviet executive committees.

A decision on the extension of the experiment to a number of other sectors of the national economy has already been made.

Later, after the tallying of the final results of the work under the new conditions and the analysis of the results for 1984, it will be possible to consider the question of conducting the economic experiment in other sectors of the national economy of the country.

The successful conducting of the large-scale experiment, undoubtedly, will enrich our economy with new practical experience of management and will make it possible to achieve the further increase of the efficiency of social production.

#### FOOTNOTE

1. SOBRANIYE POSTANOVLENIY I RASPORYAZHENIY PRAVITEL'STVA SSSR, No 20, 1984

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## RESOURCE UTILIZATION AND SUPPLY

### UTILIZATION OF SCRAP, OTHER WASTE PRODUCTS ADVOCATED

Moscow PLANOVYE KHOZYAYSTVO in Russian No 7, Jul 84 pp 99-103

[Article by Candidate of Economic Sciences V. Odess: "Efficient Utilization of Secondary Resources"]

[Text] Among the factors which exert active influence on raising the efficiency of economy, the use of secondary raw materials has been gaining an increasingly greater significance. The drawing into economic circulation and utilization of industrial waste products releases scarce types of primary raw materials and supplies, increases material resources in the national economy and reduces the level of pollution of the environment by waste products.

In ferrous metallurgy alone, the fuller utilization of overburden rock and mining industry's concentration by-products makes it possible to additionally obtain 3 million t of cement, 10 million t of ground limestone, 1 million t of lime, more than 150,000 km of ceramic drainage pipes, 600 million bricks and 340,000 m<sup>3</sup> of products made of cellular concrete, which in its turn yields a saving of capital investments in the amount of R270 million.

As a result of the adopted measures, the scale of secondary raw materials procurement and processing is increasing. During the 1981-83 period, the use of blast-furnace process slag in the USSR Ministry of Ferrous Metallurgy [Minchermet] increased by 17 percent, of raw waste lumber and wood processing waste products in the system of the USSR Ministry of the Timber, Pulp and Paper and Wood Processing Industry [Minlesbumprom] by 10 percent, of lignin at enterprises of the Main Administration of the Microbiological Industry by 31 percent and of halite waste products at enterprises of the Ministry of Mineral Fertilizer Production [Minudobreniy] by 35 percent.

During the current five-year plan (1981-85), the national economy as a whole should increase the use of waste paper by 34 percent, of secondary polymeric raw materials by 138 percent, of raw waste lumber and wood processing waste products by 20 percent, of halite waste products by 52 percent and of blast-furnace process slag by 20 percent. To a considerable extent this increase is a result of the expanded circle of ministries and departments, which are being assigned tasks for utilization of secondary raw materials. For example, while in the 1981 plan, the tasks for utilization of timber waste products were assigned only to the USSR Ministry of Timber and Wood Processing Industry [Minlesprom], then in the plan for 1984 the tasks for utilization of logging

waste products from own production were already assigned to 15 ministries and departments of the USSR and 2 union republics, and for raw waste lumber and wood processing waste products from own production to 46 ministries and departments of the USSR and all union republics.

At the present time, tasks for utilization of secondary raw materials for 36 product list groups have been set in the State Plan for Economic and Social Development of the USSR for 60 ministries and departments of the USSR and all union republics.

At the same time, far from all types of waste products are reflected in the plan documents. Therefore, under contemporary conditions it is expedient to broadly utilize an effective means such as including in plans of specific tasks for utilization of secondary resources, especially for those types of waste products which have been defined by the USSR Gosplan and the USSR Gosstabs as being promising for the indicated purposes. In our opinion, seven more nomenclatural positions of waste products should be included in the centrally planned indicators, and additional tasks for approximately 70 types of waste products in the sectorial plans being confirmed by ministries and departments.

A new form of quarterly accountability was introduced beginning in 1984, according to which enterprises must indicate the actual volumes of formation and utilization of industrial waste products. It must be noted, however, that generalization and analysis of accounting according to this form has not been properly organized so far by statistical organs. This has a negative effect on the organization of accounting and control over utilization of all kinds of waste products, whose volumes are already so great today that there is a possibility to release primary raw materials and supplies valued at more than R9 billion a year.<sup>1</sup>

For the purpose of establishing a normative base for planning procurement and processing of industrial waste products and utilization in accordance with the resolution of the CPSU Central Committee and the USSR Council of Ministers of 30 June 1981 "On Intensifying Work in Economizing and Rationally Utilizing Raw Material, Fuel and Energy and Other Material Resources," ministries and departments were instructed to develop and to put into effect the following sectorial norms: secondary raw material collection norms that define the quantity of waste products calculated per unit of corresponding kinds of primary raw materials and supplies being used (or per unit of finished output), which must be collected for subsequent utilization; secondary raw material utilization norms, which establish the share of waste products in the overall volume of raw materials and supplies that are utilized for the manufacture of given production or the carrying out of construction work; and secondary raw material processing norms that set that part of the overall volume of secondary raw materials being formed in a given sector (at an enterprise), which must be processed locally.

As a result of using the aforementioned norms in the plan formation process, it will be possible to determine more objectively in what volume every kind of secondary raw material should be collected and utilized within a given sector (enterprise) as well as in other sectors of the national economy.

At the present time, the norms have been developed for more than 20 ministries and departments and for the majority of sectors under republic jurisdiction in union republics. The ministries and departments, which have not put into effect the secondary raw material collection and utilization norms up to now, should speed up their development, coordination and introduction, including at enterprises and construction projects where they are developed within the framework of corresponding sectorial norms. Parallel to this it will also be necessary to eliminate the inaccuracies in individual sectorial norms, which were discovered in the process of their practical utilization. The norms for associations, enterprises and organizations should reflect more precisely the specific conditions of collection and utilization of waste products than the sectorial ones. The data of waste products certification, which is conducted at every enterprise with the aim of fullest revelation and efficient utilization of secondary raw materials, should be used for this purpose.

The indicators of certification of industrial waste products and utilization characterize absolute and relative (per ton of primary raw materials, in processing of which a waste product is formed, or per unit of finished final output, in production of which a given type of waste product is formed) volumes of secondary raw material formation, directions and volumes of its utilization within an enterprise and transfer to other enterprises and procurement organizations, certain technical and economic characteristics, economic efficiency from its utilization and other data. The data of waste products certification together with statistical accountability indicators according to form 14 SN "Account of Formation, Utilization and Supply of Secondary Raw Materials" can serve as a basis for the development of an automated information system for industrial waste products and utilization. Such a system will make it possible to forecast utilization of individual kinds of waste products, develop their planned utilization indicators for 5-year and 1-year periods broken down by sectors and regions, analyze fulfillment of these indicators and calculate versions of formation of economic relations between suppliers and consumers of waste products as well as tasks for processing waste products at places of their formation.

Considering the great need for automating the solution of the aforementioned tasks, it seems necessary that the Main Computer Center [GVTs] of the USSR State Committee for Material and Technical Supply [Gossnab] and the All-Union Institute of Secondary Resources (VIVR), which were instructed to develop an automated and information data bank for waste products, should accelerate this work and put the aforementioned data bank into operation not later than 1987.

However, there are possibilities even today for more qualitative planning and by virtue of this for establishing better conditions for drawing secondary raw materials into economic turnover.

Greater fullness and mutual balance of plan indicators should become an important factor in raising efficiency of planning secondary material resources. It is expedient to include in the State Plan for Economic and Social Development of the USSR the tasks for development and production of new types of equipment and manufacturing lines and for creating more improved technological processes.

This will make it possible to promptly prepare new capacities for drawing new kinds and additional volumes of waste products into production. Further, the plan should ensure sufficient coordination of indicators for utilization (processing) of a secondary raw material with the need for the given kind of secondary raw material, including for manufacturing production from it. Thus, owing to the absence of a sufficiently sound replacement coefficient (the volume of need in worn out tires for the production of 1 t of reclaimed rubber), the real need for receiving worn out tires for production of reclaimed rubber in volumes established by plan at enterprises of the USSR Ministry of the Petroleum Refining and Petrochemical Industry [Minneftekhimprom] was lower than the tasks for their utilization for this ministry by 11 percent in 1982 and by 24 percent in 1983. As a result, plans for utilization of worn out tires were not fulfilled, and simultaneously above-norm stocks of this type of secondary raw material were accumulated by suppliers and consumers.

Meanwhile the worn out tires, which are processed into reclaimed rubber and rubber crumb, save nearly 300 kg of synthetic rubber calculated per 1 t of tires. Their processing by means of pyrolysis is very promising, as a result of which it is possible to obtain (in percentage from the volume of processed tires) 10-15 percent of fuel gas, 45-52 percent of liquid fraction (analogue of petroleum) and 35-43 percent of heavy fraction (fuel, carbon black substitute). Moreover, worn out tires can partially replace metallurgical coke (2 kg of secondary rubber are equated with 1 kg of coke). However, the USSR Ministry of the Petroleum Refining and Petrochemical Industry and the USSR Ministry of Ferrous Industry have not been using these reserves to economize raw materials.

The tasks for utilization of secondary raw materials of individual ministries and departments must be coordinated more closely with plans for capital investments and construction and installation work for the purpose of establishing the necessary material and technical base in corresponding volumes of all participants in the process of formation and utilization of secondary raw materials. In this connection the practice of allocating capital investments for individual types of large-tonnage waste products or only to suppliers or consumers should be reexamined.

For example, more than 100 million t of ash and slag is formed annually at thermal electric power stations, but only a comparatively small part of them is used despite the fact that ash and slag of thermal electric power stations (TES) are a valuable raw material for the construction materials industry (in production of cement and reinforced concrete), in carrying out construction (in preparing asphalt concrete mix for road surfaces, as a substitute for sand and gravel and so forth), in agriculture (in raising soil fertility) and so forth.

Construction ministries have quite large reserves at their disposal in the matter of expanding utilization of ash, slag and other waste products which are formed at thermal electric power stations and in the metallurgical and ore mining industry. However, the task for using these waste products in the USSR Ministry of Construction of Heavy Industry Enterprises [Mintyazhstroy] amounted in 1983 to less than 1 percent of the annual volume of nonmetallic construction materials used by this ministry.

Rational utilization of ash and slag waste products of thermal electric power stations requires establishment of the necessary material and technical base by power industry workers (installations for drying ash and processing slag, materials handling equipment and storage areas) as well as by consumers of this raw material (making necessary changes in the construction materials production technology, developing means for transporting and devices for introducing ash into soil and so forth). However, only the USSR Ministry of Power and Electrification [Minenergo] is adopting measures aimed at developing capacities for removal of ash and slag waste products at thermal electric power stations, even if on an insufficient scale.

The capital investments set in the five-year plan tasks for individual annual plans were considerably reduced by some ministries and departments, which leads to an even greater shortage of capacities for the processing of secondary raw materials. Thus, capital investments in the 1984 plan for secondary raw material projects turned out to be 54 percent lower than those provided for this year by the five-year plan, including lower by 68 percent for the USSR Ministry of the Petroleum Refining and Petrochemical Industry, by 61 percent for the USSR Ministry of Ferrous Metallurgy, by 49 percent for the USSR Ministry of Mineral Fertilizer Production [Minudobreniy], by 81 percent for the USSR Ministry of the Timber, Pulp and Paper and Wood Processing Industry, by 39 percent for the USSR State Committee for Forestry [Gosleskhoz] and so forth.

The share directed at secondary raw material projects is expressed in such insignificant values in the overall amount of sectorial capital investments that there is no justification for its further reduction. For example, as a whole for the 15 ministries and departments, whose volumes of state capital investments in secondary raw material projects are included in the section "Utilization of Secondary Raw Materials" of the State Plan for Economic and Social Development of the USSR, this share in 1984 amounted to only 0.93 percent and without taking into account the projects of the State Trust for the Procurement and Processing of Secondary Ferrous Metals [Vtorchermet] and the State Trust for the Procurement and Processing of Secondary Nonferrous Metals [Vtortsvetmet] to only 0.48 percent. This share is even lower for the individual ministries and departments: for the USSR Ministry of the Petroleum Refining and Petrochemical Industry it amounts to only 0.32 percent, for the USSR Ministry of the Food Industry [Minpishcheprom] to only 0.06 percent and for the USSR Ministry of Industrial Construction [Minpromstroy] to only 0.27 percent. Meanwhile, the effectiveness of capital investments in the majority of waste products processing projects is extremely high. Thus, the relative capital investments in production of pulp from imported chips, which is obtained from wood waste products, is one-third lower than in production of pulp from round timber.

The recovery of capital investments in developing capacities for the production of pulp from waste paper is twice as fast as that of similar expenditures for capacities for the production of pulp from primary wood raw materials.

Ministries, departments and planning organs will also have to find solution to questions which arise in financing capital investments in the material and technical base for procuring and processing secondary raw materials from

decentralized sources. Capital investments from such sources should be fully ensured with necessary planning and contractual work limits, otherwise some compulsory requirements which regulate the process of carrying out construction will be violated. Thus, enterprises for utilization of secondary raw materials of the USSR Gosstab system, including large cardboard and paper factories which are established for the processing of waste paper, are constructed above the state capital investment limits by using deductions from the profit and credits of the USSR Bank for Financing Capital Investments [Stroybank]. However, a considerable part of the aforementioned sources of financing cannot be used because of existing difficulties in allocating contractual work limits. As a result, construction of some projects (for example, the unwoven materials factory in Osh city and others) has not been started at all, and construction of other projects (the cardboard factory in Kishinev) is being delayed without justification.

To eliminate this situation, it is expedient, in our opinion, to centralize capital investments in these projects and to set them apart in plans of ministries, departments and union republics as special purpose individual projects with full provision of corresponding planning and contractual work limits as well as funds for material resources.

Enterprises are experiencing serious difficulties in transporting secondary raw materials. Today, transport ministries, first of all the Ministry of Railways, refuse under various pretexts to transport such large-capacity waste products as ash and slag of thermal electric power stations, waste products containing aluminum and others. For a practical solution of this question, the most important large-capacity industrial waste products, in our opinion, must be included in necessary capacities in hauling plans of railway and water transport.

There is also an urgent necessity of achieving greater balance of tasks for the procurement of secondary raw materials and their utilization, which are being often violated in the process of plan fulfillment. While a secondary raw material procurement indicator is a basic one for procurement organizations (the results of their work are appraised according to it and the amount of bonuses, labor indicators and so forth depend on it), then a secondary raw material utilization indicator is a secondary one for the majority of enterprises and organizations for whom processing of such raw material is planned. In the majority of cases it does not have an effect upon the amounts of economic incentive funds and has little effect on the appraisal of activity. As a result of this many ministries and departments often do not fulfill in the full volume the established tasks for utilization of secondary raw materials (the USSR Ministry of the Timber, Pulp and Paper and Wood Processing Industry for waste paper, the USSR Ministry of the Construction Materials Industry [Minstroyaterialov] for secondary textile materials, the USSR Ministry of the Petroleum Refining and Petrochemical Industry for worn out tires and so forth) and often turn down secondary raw materials, which are being allocated for consumer enterprises, with a formal reference to the right of such refusal that is provided in the regulations on supply of production and technical purpose products in relation to all kinds of material resources. Thus, in 1982 the USSR Ministry of the Construction Materials Industry turned down funds for

33,000 t of waste paper, and refusals for tens of thousands of tons of waste paper were received from enterprises of the USSR Ministry of the Timber, Pulp and Paper and Wood Processing Industry. All of this results in above-norm accumulations of secondary raw materials in warehouses of procurement organizations, delays in payment of wages to procurement workers, increased personnel turnover in these organizations and in the final analysis in restraining procurement of valuable kinds of waste production. Taking into account that the final results of drawing industrial waste products and consumption into economic turnover are reflected in the volume indicator of secondary raw material utilization, it is expedient to set tasks for this indicator as one of the basic ones which is used to appraise the results of activity and on which the formation of economic incentive funds depends. The secondary raw material procurement indicator must become a derivative of the utilization indicator. Its planning could be assigned to the USSR Gosplan, which should be granted the right to make well-founded clarifications in procurement plans, depending on the progress in fulfillment of secondary raw material utilization tasks.

It must be noted that nonfulfillment of planned tasks for secondary raw material utilization occurs not only in the aforementioned types of waste products, which are sold by specialized procurement organizations, but also in some large-tonnage waste products for which utilization is not linked to the procurement process. Specifically, not being used in the planned volume are pyrite cinders, halite waste products, phosphogypsum (by the Ministry of Mineral Fertilizer Production and others), logging waste products, raw waste lumber, wood processing waste products (the USSR Ministry of the Timber, Pulp and Paper and Wood Processing Industry, the USSR Ministry of Construction of Heavy Industry Enterprises, the Ministry of Construction of Petroleum and Gas Industry Enterprises [Minneftegazstroy] and other ministries) and so forth. Undoubtedly, underestimation of secondary raw material utilization is manifested here by ministries and departments. It is not by accident that attention was devoted to this at the Ninth Session, Ninth Convocation of the USSR Supreme Soviet.<sup>2</sup>

At the present time, "there is a need for a fundamental change in the practice of planning utilization of industrial waste products and consumption, which must be regarded as primary sources of raw materials and supplies."<sup>3</sup>

For the purpose of raising interest in and responsibility for fulfilling secondary raw material utilization tasks, the question of including them in basic activity indicators of sectors and enterprises should be examined.

Thus, the share of secondary resources in material outlays, which are related to commodity production or work, should be taken into account in the composition of the material-intensiveness indicator. Here in the measures aimed at raising the economic effectiveness of using material resources, which are included in the drafts of a sector's plans, it is expedient to provide for introduction of industrial consumption of effective kinds of secondary resources with definition of total savings from these measures.

In the norms of expenditure of raw materials and supplies as well as in plans for distribution of production it would be correct to provide for interchangeability of corresponding kinds of primary and secondary raw materials and supplies.



The volume of realization of industrial and consumption waste products must be set apart in the composition of the realized production volume indicator with simultaneous consideration of such realization in appraising fulfillment of supply plans in accordance with concluded agreements and orders accepted for execution.

The increased physical volume of production caused by the fuller utilization of secondary resources in production should be taken into account in planning industrial output production cost and profit indicators.

For a more intensive development of capacities for collecting and processing waste products, ministries and departments should be given the right to direct increased amounts of deductions from profits obtained by a sector toward developing the material and technical base of secondary raw materials utilization as a noncentralized source of financing capital investments.

The economic incentive fund at industrial enterprises could be provided with deductions according to increased norms by using above-plan profits, if the planned tasks for utilization of secondary raw materials for a regular year are adopted in amounts that exceed five-year plan tasks and ensure an above-plan increase compared with the preceding year. This could contribute to an increased interest of ministries, associations and consumer enterprises in the maximum drawing of waste products into economic turnover.

I would like to dwell on one aspect of the secondary raw material utilization problem--the so-called solid domestic waste products, whose share in the overall volume of secondary raw material procurement has been constantly growing. In the plan for the current 5-year period, the share of waste paper to be received from the population in 1985 will amount to 44 percent and of secondary textile materials to 63 percent. It is planned to begin procuring from the population of such kinds of secondary raw materials as refuse glass and worn out tires. However, the secondary raw material procuring possibilities are far from being exhausted by doing this. The various domestic waste products owned by the population make it possible, according to estimates by economists, to increase the volume of procurement of their individual types by a minimum of 1.5-2 fold. Moreover, many kinds of domestic waste products are not being procured at all at present, including such valuable secondary raw materials as worn out footwear, household articles made of polymers and so forth. One of the reasons of such situation is the lack of modern technologies and necessary equipment.

Planning and supply organs must use the right granted to them more consistently in allocating funds for materials resources to consumers with consideration of the tasks being set for collection and utilization of secondary raw materials. Corresponding decisions on these questions have been adopted, but they are being only partially fulfilled, for a narrow range of waste products and not completely.

The questions of domestic waste products utilization are basically of a regional character and must be solved by those organizations and enterprises which are directly linked with providing services for the population at their place of residence. Proceeding from this, in our opinion, it seems that the proposal

is correct regarding turning over the organization of secondary raw materials procurement from the population to organs of housing and municipal services.<sup>4</sup> There is a need to examine the question regarding the possibility of organizing procurement through specialized enterprises and organizations of local soviets of people's deputies with compulsory enlisting in this work on a contractual basis of enterprises and organizations of state trade and consumer cooperatives and housing and municipal services and personal services as well as of secondary and higher educational institutions. This would make it possible to increase the volume and expand the list of secondary raw materials procured from the population without a considerable increase in the number of staff procurement workers.

Realization of the proposals made in the article will make it possible, in our opinion, to contribute to raising the soundness and efficiency in planning utilization of waste products in the national economy and to more efficient collection and processing of them by suppliers and consumers.

#### FOOTNOTES

1. See: PRAVDA, 1984, 11 January "Rezervy---na sluzhbu ekonomike" [Reserves in the Service of Economy].
2. See: PRAVDA, 1983, 29 December.
3. N. A. Tikhonov. "Sovetskaya ekonomika: dostizheniya, problemy, perspektivy" [Soviet Economy: Achievements, Problems, Prospects], Moscow, NOVOSTI Press Agency Publishing House (APN), 1984, p. 87.
4. See: N. L. Pirogov. "Yeshche raz o bytovom vtorsyr'e" [Once Again About Domestic Secondary Raw Materials], EKONOMICHESKAYA GAZETA, 1982, No 34.

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